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New York

President: Mr. Essy ..... (Côte d'Ivoire)

The meeting was called to order at 10.35 a.m.

Agenda item 10 (*continued*)

Report of the Secretary-General on the work of the Organization (A/49/1)

The President (*interpretation from French*): Members will recall that in an address to the General Assembly on 12 October 1994, at the conclusion of the general debate, the Secretary-General painted a disturbing picture of the financial situation of the Organization. He suggested it was up to the States Members of the United Nations to address this problem. Aside from the obvious fact that, in fulfilment of obligations under the Charter, all Members should pay their contributions in a timely manner, the Secretary-General indicated certain other points for consideration. Given the gravity of this matter affecting the very functioning of the Organization, I felt obliged to hold consultations with Member States as to the appropriate response and follow-up to the Secretary-General's statement. These consultations will facilitate a wide-ranging exchange of views on this important issue.

I would like to propose that the list of speakers in the debate on this item be closed this morning at 11 a.m.

It was so decided.

Mr. Lamamra (Algeria): I have the honour and privilege to speak on behalf of the Group of 77 and China on the important issue of the financial situation of the United Nations, which has been a matter of growing concern to us all. From time to time the Secretary-General has brought the current unsatisfactory situation to Members' attention. We therefore welcome the opportunity offered us in the General Assembly to express at the highest political level of the Organization the views shared by the Group of 77 and China on this matter.

The Group of 77 and China would like to recall that this is not the first time that such a situation has arisen. On an earlier occasion, we the Member States, in resolution 41/213, which the General Assembly adopted by consensus at its forty-first session, reaffirmed the requirement to fulfil our financial obligations promptly and in full. We also collectively recognized the detrimental effect of the withholding of assessed contributions on the functioning of the United Nations, and we recognized further that late payments adversely affect the Organization's financial stability. It is a sobering thought that despite our collective recognition of the problems we have failed to act upon them. Is it therefore any surprise that, despite the important financial reforms that were mandated in resolution 41/213, there has been no satisfactory solution to the problems. Nor is there likely to be one, so long as we do not collectively address the issues that we have fully recognized or implement the principles that we reaffirmed in resolution 41/213.

The Group of 77 and China are aware that in the post-cold-war period there are high expectations of the

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United Nations. Without a viable financial basis, however, none of those expectations will be realized, since the only source of the Organization's funds is we, the Member States. We have taken due note of the current status of contributions outstanding to the Organization, as well as its obligations. We find it self-evident that the financial problems of our Organization can be substantially addressed only when all Member States pay their contributions in full and on time. The Group of 77 and China recognize the need to extend sympathetic and particular understanding to those among us who are temporarily unable to meet their financial obligations as a consequence of genuine economic problems. In all other cases, we appeal to the membership to make every effort to pay all their dues unconditionally, in full and on time, so that the perennial problems of cash availability do not continue to circumscribe the United Nations abilities to act whenever we call upon it to do so.

The Group of 77 and China reiterate that our first and immediate objective should be to ensure a smooth flow of funds in the future. We would underline the fact that these are funds which have already been mandated by us after due consideration in the Main Committees. All of us have been afforded the opportunity to examine the Secretary-General's proposals. The Group of 77 and China believe that after the membership has approved the funding proposals there can be no other reasons for delaying payments. The Group of 77 and China believe that all our efforts to modernize and streamline the Organization in preparation for the next century will not meet with success so long as it continues to operate under a virtually permanent state of financial stress.

The Group of 77 and China note with concern the suggestion that there is somehow a link between the current cash-flow problems and the existing systems of assessment. We are unable to share this approach. There are no objective indicators that suggest this linkage. We wish to recall that the scales of assessment are the incremental result of our shared experience and common understanding. They have been arrived at collectively by the membership. They are based on guiding principles that we have all agreed with. How then can we claim that they are do not fully reflect consensus? So long as there is no mutual agreement to review or revise the consensus, it is our understanding that the existing scales have our collective sanction. We are therefore required, under the Charter, to meet our obligations.

The Group of 77 and China are ready to undertake a review of all aspects of the financial situation should this be the collective desire of all Member States, but we also wish to reiterate that any review that takes place must be on the basis of furthering our common understanding. We must build on what we have. The validity of this approach is even more relevant today. It will be our commitment to democratic action that alone will facilitate the process of reaching an agreement within an equitable, democratic and consensual framework. We believe, therefore, that any unilateral actions that could lead to undesirable results would not only deepen the current difficulties but would also serve to create reservations about the genuine commitment of all Member States to the fundamental principle of the democratization of international relations.

The Group of 77 and China would also like to reiterate that the principle of capacity to pay must remain at the very basis of determining the contributions that we are required to make to our Organization. We further reiterate that the principles for the apportioning of peace-keeping expenses, as set out in General Assembly resolution 3101 (XXVIII) and reaffirmed by consensus in subsequent resolutions dealing with financing of peace-keeping operations, remain valid today. We also recall that the need for separate procedures for apportioning peace-keeping expenses arose precisely out of an acknowledgment of the fact that such expenses constituted a very heavy burden on developing countries and should, therefore, be apportioned on the basis of procedures different from those used for the regular expenditures of the United Nations. This approach remains equally valid today; expenditure on peace-keeping is currently three times that of the regular expenditures.

The Group of 77 and China therefore hold that our discussions must be based on due recognition of agreed principles and present practices. Further, we must consider the pressing problems of alleviating the cash-flow crisis as our immediate task in our overall objective of addressing the financial situation. As Chairman of the Group of 77, I believe that to this end the proposal to establish an open-ended working group of the Fifth Committee with appropriate arrangements to ensure a high level of participation and leadership together with the sustained interest of all Member States to consider measures for restoring a viable financial basis for the Organization, with a view to arriving at the broadest possible agreement, could be considered by the Group of 77 and China in a positive and constructive manner.

Finally, the Group of 77 and China would like to highlight the fact at this late stage of the work of our

regular session that, on an exceptional basis and at this very high level, we are responding to the appeal launched by the Secretary-General on this very important issue to deliver our message of full support to the Organization.

Mr. Graf zu Rantzau (Germany): I have the honour to speak on behalf of the European Union, Austria and Hungary.

Only Member States can provide a sound financial basis for the Organization. Their assessed contributions form that financial basis. Under the United Nations Charter, Member States have a legally binding obligation to bear the expenses of the Organization as apportioned by the General Assembly; all Member States must pay their contributions promptly, in full and unconditionally. A historic review shows that the issue of the Organization's liabilities' exceeding its available cash is not a new phenomenon. It also shows that, in nearly 20 years, the Member States have not been able to resolve this issue.

On 12 October 1994, the Secretary-General took the initiative of addressing the General Assembly in plenary meeting on the longstanding difficult situation and put forward a broad range of possible ways of ensuring a viable financial basis for the Organization. The situation today is much worse, both for peace-keeping budgets and for the regular budget, than in previous years. In July 1994, the Secretary-General felt compelled to warn the members of the Security Council of the precarious state of peace-keeping finances.

The overall financial situation will deteriorate further in the coming year unless decisive and concrete measures are taken to address the situation. The member States of the European Union, Austria and Hungary meet their obligations for the regular budget and for peace-keeping operations promptly, in full and without conditions. Our contributions to the regular budget, taken together, already amount to 32.65 per cent and, for peace-keeping operations, to 34.5 per cent. Our Governments currently contribute 23 per cent of all military personnel involved in peace-keeping operations of the United Nations.

The main financial problem remains the question of arrears, which has detrimental consequences for the reserves of the Organization. As the Secretary-General has stated, the Organization has only extremely limited cash reserves; the working capital fund is virtually depleted. There is only a little petty cash left in the peace-keeping reserve fund. If all Member States paid their assessments in full and on time, the Secretary-General could replenish the reserves and pay the money the Organization owes to Member States for their troop and equipment contributions to peace-keeping missions. The arrears in contributions to peace-keeping operations and the resulting cash-flow problem have created a situation in which the Organization owes more than $1 billion to Member States for reimbursement for troops and equipment.

This situation puts an unfair burden on troop-contributing countries, particularly those that have a record of prompt, full and unconditional payment. In effect, as the Secretary-General pointed out, the Member States that wait for payment from the United Nations are financing the late payment of other Member States. As a consequence of this development, the readiness of Member States to provide troops is decreasing. We wish to emphasize that without troops or money there can be no peace-keeping operations.

This shows that the issue raised by the Secretary-General is not only a financial problem but has serious political dimensions. The capability of the Organization to fulfil its mandates is at stake. We all have high expectations for the United Nations, but the Organization can work efficiently only if its Members are willing to provide the necessary support. On the eve of its fiftieth anniversary, the United Nations is faced with the major challenge of an unprecedented increase in its tasks while at the same time it is experiencing the most difficult financial situation since its founding.

For the time being, Article 19 of the Charter is the only sanction for compelling Member States to pay. We believe that the time has come to apply it more rigorously. Furthermore, we have to consider other instruments that might induce Member States to fulfil their obligations under the Charter to pay in time, in full and without conditions. This must include discussions on incentives for timely payment as well as sanctions on arrears, *inter alia* the possibility of charging interest on arrears. In the context of incentives, we note the Secretary-General's proposal to issue peace-keeping redeemable certificates. This, however, will not be a solution in itself.

We fully agree with the Secretary-General that the slow process for approving peace-keeping budgets and appropriations must be changed. Months pass between the date on which the Security Council approves a peace-keeping operation and the date when assessments are sent out. Proposals of the Secretary-General to speed up the

process and enhance its credibility are now being discussed in the Fifth Committee. These proposals touch at the very core of peace-keeping budgeting and financing. The European Union, Austria and Hungary pledge to work constructively with a view to reaching solutions both acceptable to Member States and workable for the Secretary-General. We trust that all Member States will join in these efforts to reach solutions.

I should like to turn to the method of assessment. This is closely linked to the issues of arrears and the improvement of the budgetary process. A scale of assessment which is simple, transparent and fair and is perceived to be so by all Member States could contribute to an improvement of payment patterns and thus alleviate the severe cash-flow problems of the Organization.

We recall the statement of the European Union in the general debate:

> "Members' contributions must be brought more in line with their actual capacity to pay. The aim of a comprehensive financial reform must be to establish a scale that is transparent and reliable, reflects Members' financial situations, is automatically adapted to changed national circumstances, and gives consideration to the needs of countries with low per capita incomes. But it is crucial that all Members be willing to meet their membership obligations. We cannot have a situation in which the United Nations has difficulty carrying out its responsibilities because individual Members feel exempted from their duties." *(Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 6th meeting, p. 17)*

During this session, the General Assembly will be deciding on recommendations of the Fifth Committee on the scale of assessments for the coming three years. For the future, however, we will have to find a more up-to-date and fair basis for regular and peace-keeping assessments alike. We are looking forward to the outcome of the work of the ad hoc working group on capacity to pay, which was established by General Assembly resolution 49/19.

For peace-keeping assessments, the special responsibility of the permanent members of the Security Council must be taken into account. The financial obligations arising from this special responsibility must be applied on an equitable basis.

All the issues addressed by the Secretary-General have to be taken up without delay by the General Assembly. We stand ready to consider these issues at the highest political level, as befits the political importance of the question under discussion. For the European Union, Austria and Hungary it is imperative that this process involve the membership as a whole. Because of the political and financial nature of these issues both ambassadors and experts of the Fifth Committee should be enabled to play a full and active part in this process. Its result should be based on the broadest possible agreement in accordance with the constant practice of the General Assembly in budgetary matters. Therefore, the European Union, Austria and Hungary welcome the consensus which has emerged that the General Assembly shall pursue these issues in a high level open-ended working group under your chairmanship, Mr. President. In our view, the working group should consider measures, including those contained in the Secretary-General's report on the work of the Organization and his statement before the General Assembly of 12 October 1994, to achieve the full and timely payment of assessed contributions and to improve the existing budgetary process and method of assessment with a view to ensuring a viable financial basis for the Organization. The working group should report on the result of its work to the plenary through the Fifth Committee before the end of the forty-ninth session.

Only by working together will we be able to provide the Organization on the occasion of its fiftieth anniversary with a sound and viable basis for its activities into the next century.

Mr. Thanarajasingam (Malaysia): Mr. President, may I begin by thanking you for convening this plenary meeting to discuss and debate the statement made by the Secretary-General on 12 October 1994 regarding the financial situation of the United Nations. My delegation attaches great importance to this topic and had addressed this issue on a number of occasions including, especially, in the Fifth Committee during this session of the General Assembly.

We agree with the observation by the Secretary-General that there are several causes contributing to the precarious situation confronting the United Nations. My delegation also supports the statement made by the Chairman of the Group of 77, who has just spoken.

The subject of the financial situation of the United Nations is not a recent phenomenon. It has been the subject of discussions for many years. The principal cause is clearly the late payments by Member States of

assessed contributions, for both the regular budget and peace-keeping budget.

The report of the Secretary-General on the work of the Organization specifically singled out that:

> "... the continued failure of some Member States to fulfil their legal obligation to pay assessed contributions in full and on time places the Organization in a difficult financial situation." *(A/49/1, para. 101)*

This concern is borne out by the status pertaining to the total outstanding contributions owed to the United Nations budget, which on 31 October 1994 stood at $2.386 billion. Out of this total, $770 million was for the regular budget and the balance $1.616 billion was for the peace-keeping budget.

While we understand that non-payment by individual countries may be due to their genuine inability to pay, we do not fully comprehend the unwillingness of the major economically advanced countries to pay their arrears. In this regard, my delegation stated on previous occasions and would like to reiterate that Member States should fulfil their obligatory contributions to the United Nations in full, on time and without conditions.

We appreciate the recognition given by the Secretary-General that the cash-flow situation has led to persistent delays in payments to troop-contributing countries which could affect participation by Member States in future peace-keeping operations. This is particularly relevant to developing countries, which as a demonstration of their commitment to the ideals of the Organization, dispatched their troops for United Nations peace-keeping activities.

On the proposal that the United Nations be given authority to charge interest on future arrears, my delegation could agree with the proposal in principle. However, there should be a distinction between those Member States that are in arrears due to their inability to pay as opposed to those simply unwilling to pay.

Given the difficulties in making this distinction, my delegation believes that it may be more worth while to pursue the consideration of a system of rewards and incentives to Member States that make their obligatory contributions on time.

The proposal to concentrate the various United Nations accounts into a few, thus taking maximum advantage of better interest rates offered, deserves our support. The present practice of distributing into more than 100 accounts makes for tardy and tedious processes entailing unnecessary administrative costs. Similarly, the proposal to simplify and shorten the billing procedures would enable the early payment of assessments. Accordingly, we would support it.

As for the proposal for the United Nations to accept contributions in the form of non-financial resources, such as secondment of personnel and equipment to be offset against contributions by Member States, the proposal clearly merits further consideration.

The Secretary-General has discussed at some length the inequity, and the dissatisfaction among Member States, of the current system for assessing the regular and peace-keeping contributions. It should be pointed out, however, that assessment rates for the regular budget are worked out and recommended by the Committee on Contributions comprising intergovernmental experts working on the basis of the capacity of Member States to pay. It is never easy to come up with an assessment rate that would satisfy all 184 Member States. The recommended rate has taken into consideration the need to maintain a balance between all Member States. This, again, is an area that may benefit from further study.

On the peace-keeping budget, the assessments based on General Assembly resolution 3101 (XXVIII) had also taken into account the special responsibility of the permanent members of the Security Council. The resolution was in place well over 20 years and had been agreed upon by Member States. As some have observed, the problem lies in the system of collection and not the system of taxation.

On the various proposals put forward by the Secretary-General on the current methodology of assessment rates, my delegation would like to offer the following comments:

First, the criteria in determining the capacity of Member States to pay should take into consideration the many socio-economic factors that determine the well-being of a Member State. Any criteria which would overly rely on just some basic indicators, such as per capita national income, would not be reflective of the real situation. Automatic realignment that comes with simplification of the methodology would pose difficulties for my delegation. Indeed, we see the automatic realignment as a disruptive factor.

Secondly, the current methodology used in assessing the peace-keeping budget should be maintained. The special status of the veto-wielding permanent members of the Security Council *vis-à-vis* contributions should be maintained.

Thirdly, my delegation disagrees with the proposal to shorten the seven-and-a-half-year base period. The seven-and-a-half-year base period should be maintained as it provides stability to the scale of assessment over the years, and Member States would thus not be affected by drastic changes in the rate of assessment.

As my delegation pointed out also during the debate in the Fifth Committee, the consideration of the financial situation should not be merely on the revenue side, to the exclusion of the expenditure side as well. In this regard, we welcome the establishment of an open-ended Working Group that will look at all these issues in a comprehensive manner.

Often the point that the financial costs of the United Nations is far less than that of many multinationals is missed. Can the international community do without the United Nations, the only truly universal intergovernmental body devoted to issues of international peace and security as well as of development? Given the obvious answer, it is incumbent on Member States to honour their obligations. In reviewing the financial situation, we should not overlook the need to take into account new and innovative mechanisms as well. As this Organization commemorates its fiftieth anniversary next year, we should agree on specific means to strengthen this Organization to enable it to discharge its tasks and responsibilities as spelled out in the Charter for the benefit of all mankind.

Mr. Birenbaum (United States of America): I am here today to speak frankly about the subject of financing United Nations peace operations. My Government strongly supports effective and well-planned peace operations because they enhance international security, stability and democracy. My country is the largest financial contributor to such operations, and carries out a variety of other missions in support of Security Council resolutions. My Government will continue to strive to meet its financial obligations and will work with other Members to devise a more reliable and fair system for financing United Nations peace-keeping. We believe that such a system — to be fair and reliable — should include a reduction in the share of assessments borne by the United States.

In his statement to the General Assembly on 12 October 1994, the Secretary-General noted with concern the precarious financial situation faced by the United Nations, and especially United Nations peace-keeping. Delays in payment complicate the management of peace operations, create problems for recruitment and make the rapid deployment of forces in emergency situations virtually impossible.

The Secretary-General also said that

> "it is important that the Member States view the arrangements for sharing the Organization's expenses as fair." (*Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 28th meeting, p. 21*)

The reason is that, at least in democratic societies, the perception of fairness can have a major impact on the public and legislative support that will exist for making contributions to the United Nations in full and on time.

My Government is committed to paying what it owes. This past fall the United States Congress appropriated more than $1.2 billion for United Nations peace-keeping.

In addition to payments to assessed accounts, the United States often has made available its unique capabilities and assets in support of resolutions adopted and approved by the Security Council. For example:

Between December 1992 and April 1993 the United States financed and led a massive humanitarian relief operation that saved thousands of lives in Somalia.

The United States has participated actively in the enforcement of the no-fly zone and in the delivery by air of emergency relief in Bosnia.

The United States has helped to implement Security Council resolutions pertaining to Iraq by contributing almost 50 per cent of the funds for the United Nations Special Commission, by helping to enforce no-fly zones, by helping to provide humanitarian aid to Iraqi minorities in the north and south, and by mobilizing in response to recent threatening moves by the Iraqi armed forces.

This past summer United States military forces were deployed to Rwanda and neighbouring Zaire to provide emergency relief to Rwandans made homeless by the violence in their country.

The United States continues to deploy a military force of 37,000 in the Republic of Korea pursuant to Security Council resolutions 83 (1950) and 84 (1950).

United States forces are participating in efforts to enforce sanctions against Iraq and the former Yugoslavia.

The United States has taken the lead in financing, organizing, training and participating in the multinational force that has restored democracy to Haiti and eased the humanitarian crisis there.

The United States made a voluntary contribution of $30 million this year to the International Atomic Energy Agency.

The United States also has been by far the largest voluntary contributor to the war crimes Tribunals for Rwanda and the former Yugoslavia.

All of those actions were undertaken on a non-reimbursable basis in pursuit of objectives that the United States shares with the international community. Certainly, many nations undertake such activities. But the magnitude of United States actions is unmatched and, in cost, exceeds our total assessed share of United Nations peace-keeping. I stress this not because my Government believes that actions undertaken on a non-reimbursable basis should be credited against United Nations assessments; on the contrary, such a policy could easily be abused and would make financial management of United Nations peace-keeping impossible. But these actions are relevant, nevertheless, to a discussion of the financing of United Nations peace operations. For they demonstrate beyond doubt that the United States is continuing to bear a heavy share of the burden of upholding international law and preserving security and peace around the world.

It is often suggested that permanent members of the Security Council have a special responsibility. My Government agrees. The United States of America is meeting that responsibility.

Today, the United States is assessed more than 30 per cent of United Nations peace-keeping costs, greater than twice the amount paid by any other country. This proportion exceeds the 28.9 per cent share the United States was assessed when the peace-keeping scale of assessments was adopted in 1974, despite substantial changes in the world economy since that time. My Government believes that its current rate is excessive and should be reduced to 25 per cent. Members of this Assembly should know that the United States Congress enacted binding legislation that will limit United States contributions to peace-keeping to no more than 25 per cent beginning on 1 October 1995.

The current basic systems for allocating regular budget and peace-keeping costs were adopted two decades ago. Because of the entry into the United Nations around that time of the two Germanies, it was possible to adopt formulas that effectively reduced the rate in each area for a majority of countries. We do not face a similar situation now. Under current circumstances, a reduction for some countries must be balanced by an increase for others.

Designing an equitable formula for financing peace-keeping is not easy. Designing such a formula that is both equitable and likely to gain the approval of this Assembly will be more difficult still. But my Government does not believe it is in the interests of this Organization, or its Members, to perpetuate an inequitable system simply because change is difficult. The truth is that change is essential if we are to develop a truly rational, fair and dependable basis for financing United Nations peace-keeping.

My Government agrees with the Secretary-General's statement on 12 October that this is an urgent political question. Accordingly, we are committed to working constructively through the mechanism of the open-ended high-level working group to develop options for revising the current peace-keeping assessment scale.

In so doing, we believe that the General Assembly should be guided by the following principles:

First, the rate of payment should be rationalized. Today there are more than two dozen countries that have an average per capita national income that is above the world average, and that nevertheless receive an 80 per cent discount on their peace-keeping assessments. Some of these nations have per capita incomes that are among the highest in the world. This is not equitable and should be changed.

Secondly, future changes in the peace-keeping scale should recognize that increasingly United Nations peace operations are conducted in the service of all nations, and that dramatic deviations from the regular United Nations scale of assessments are not logically justified. Peace-keeping has become, and will continue to be, a fundamental part of the business of the United Nations.

However, my Government does believe that concessional rates for the poorest Member States should be included in any new formula.

Thirdly, the United Nations should avoid over-reliance on any one source of funding for peace-keeping operations; such dependence is unhealthy for any organization.

Finally, the Assembly should consider the possibility of eliminating all discounts or of establishing a minimum rate of contribution to peace-keeping for permanent members of the Security Council.

We all recognize that the costs of United Nations peace-keeping accelerated rapidly in the years immediately following the end of the cold war. For my country, this has meant an increase in assessments from roughly $45 million a decade ago to more than $1 billion in the current calendar year. Recently, the trend towards more and larger United Nations peace operations has slowed. In addition, measures to reduce or contain the cost of peace operations are being explored. Nevertheless, it is fair to expect that the scale and cost of such operations will not quickly return to historical levels. It is vital, therefore, that we find a stable and equitable system of financing.

We all know that United Nations peace-keeping cannot provide the answer to all international conflicts and crises. As the United Nations Charter recognizes, regional organizations, coalitions and Member States may all have a legitimate role in responding to threats. In extreme circumstances, there may be little either the United Nations or Member States can do, especially in cases of bitter civil strife. But United Nations peace-keeping remains an indispensable tool of international policy. It has a demonstrated capacity under appropriate circumstances to separate adversaries, maintain cease-fires, deliver humanitarian relief, enable refugees and displaced persons to return home, demobilize combatants and create conditions under which political reconciliation may occur and democratic elections may be held. It is in the interests of every Government to ensure that a dependable and equitable system for financing peace-keeping operations is developed. My Government looks forward to working with other States for that purpose.

Mr. Wang Xuexian (China) (*interpretation from Chinese*): His Excellency Ambassador Lamamra of Algeria has already made an excellent statement on behalf of the Group of 77 and China. I wish now to make a few additional comments.

A viable financial basis is the first prerequisite for the fulfilment by the United Nations of its Charter obligations and functions. However, the financial difficulties that have beset the Organization in recent years and the inability to make ends meet have seriously affected its capacity to meet its obligations effectively. This state of affairs is incompatible with the ever-growing role of the Organization and the expectations placed in it by the general membership. How to resolve its current financial difficulties and equip it with a sound and stable financial basis is one of the important issues the general membership and the Secretariat have over the years been committed to resolving.

Having carefully listened to the Secretary-General's 12 October statement on the current financial situation of the Organization, and having studied the relevant reports, the Chinese delegation would like to make a few observations on this question.

We are of the view that the current financial difficulties of the United Nations are in large measure a cash-flow problem. As the Secretary-General repeatedly points out in his report on the work of the Organization, cash in-flow falls far short of the cash requirements of the Organization to meet its obligations. The fact is that all budgets adopted by the General Assembly can basically ensure the smooth implementation of each mandated activity, and even allow a surplus for some programmes at the end of their implementation. It can be easily discerned that at the heart of the financial difficulties of the Organization lie severe cash shortfalls and the resulting cash-flow problem. It is therefore of primary importance to improve cash flow in order to resolve the current financial difficulties of the Organization.

There may be various causes for the financial difficulties. But in the view of the Chinese delegation the root cause is pointed out by the Secretary-General in his report on the work of the Organization submitted to the General Assembly at its current session, when he states that

> "the continued failure of some Member States to fulfil their legal obligation to pay assessed contributions in full and on time places the Organization in a difficult financial situation". (*A/49/1, para. 101*)

According to the figures cited by the Secretary-General in his statement, as of the end of August this year the Organization's debts amounted to $1.7 billion while Member States owed the Organization $3.2 billion — almost twice that amount. Obviously, it is the delayed payment by some Member States of their assessed contributions to both the regular budget and the peace-keeping operations that has given rise to the cash-flow difficulties and hence to the financial difficulties of the Organization. The facts have proved that arrears are the crux of the financial crunch. We would stress that the major contributors that have delayed payment of their assessed contributions for political reasons should bear the lion's share of the responsibility for the difficult financial situation of the Organization.

The causes for delays in payment by Member States vary and should be analysed individually. The exceedingly rapid increase in the overall expenditures of the Organization has placed huge financial burdens on some Member States. Total peace-keeping spending has soared from $600 million in mid-1990 to over $3 billion in 1994 — four times the regular budget — as a result of the drastic increase in the number and scope of peace-keeping operations and in the number of personnel involved as well as in the procurement of sophisticated weapons and equipment. Such an excessive increase creates an unbearable burden for most developing countries. Moreover, some developing countries are obliged to put off the payment of their assessed contributions owing to *force majeure* or genuine economic difficulties; their plight deserves our understanding.

Poor administrative and budgetary management in some cases is one of the factors that account for these financial difficulties. As necessary rules and regulations have failed to keep pace with the excessive increase in peace-keeping operations in recent years, a great many problems have cropped up in the course of actual operations. For instance, $3.9 million was lost in Somalia; a large amount of peace-keeping equipment was stolen in some operations because of insecure storage and poor management; and there is not yet a complete set of guidelines governing procurement practice, which is of great concern to Member States. There were cases of over-paying millions of dollars in procurement. Some 850 vehicles were ordered in one contract but only 100 were actually used. Such wasteful practices have also aggravated the financial difficulties of the Organization.

We believe that the Organization's financial difficulties can be solved in the following three ways.

First, all Member States, particularly those which are able to pay but have delayed payment owing to the lack of political will, should be urged faithfully to fulfil their Charter obligations by paying their assessments in full and on time.

Secondly, the United Nations should act within its means in respect of peace-keeping operations. The Security Council, in authorizing each peace-keeping operation, should repeatedly and prudently consider its necessity, feasibility and practical result, as the Organization cannot undertake any and every peace-keeping task. At the same time, the Security Council should take into full consideration the burden-bearing capacity of Member States, particular that of the developing countries, and should resist the temptation of equating performance with size in numbers or in breadth of scope in operations.

Thirdly, the Secretariat should establish or improve the relevant rules and regulations, strengthen financial discipline, put an end to waste and practise stringent economy so as to use effectively every cent paid in by Member States. Units and individuals shall be held accountable for any financial losses resulting from humanly avoidable factors such as dereliction of duty, and such cases should be relentlessly pursued to a definitive conclusion.

We have noted that some people attribute the Organization's financial difficulties mainly to the current scale of assessments. The Chinese delegation wishes emphatically to point out that the current scale of assessments is the result of repeated consideration during successive General Assembly sessions and meticulous examination and computation by the Committee on Contributions in accordance with the relevant General Assembly resolutions. Practice has shown that the scale is relatively equitable and rational and has basically reflected the principle of capacity to pay. Admittedly, there are certain technical aspects that have yet to be improved and perfected, but it is entirely unacceptable to question the equitableness of the scale and even to go so far as to totally negate it.

We also wish to point out emphatically that still less acceptable is the attempt by a Member State which has the capacity to pay to put pressure — out of its own domestic political considerations — on the Organization to reduce its financial obligations, only to shift the burden onto others, even onto those developing countries with inadequate or even no capacity to pay.

Today the United Nations is playing an increasingly important role in global affairs which no other international organization or grouping can replace. The Chinese delegation maintains that the United Nations should be ensured a solid and stable financial basis in order to better fulfil its Charter-obligated functions and the aspirations of Member States. We believe that such a basis can indeed be established as long as Member States fulfil in real earnest their financial obligations under the United Nations Charter.

Mr. Haakonsen (Denmark): I have the honour to speak on behalf of the Nordic countries: Finland, Iceland, Norway, Sweden and my own country, Denmark.

The precarious financial situation of the United Nations now seriously jeopardizes the functioning of the Organization. It is therefore a fundamental political problem for Member States.

For this reason, the Nordic countries welcome the statement made on 12 October last by the Secretary-General and also his informal paper entitled "Ensuring a viable financial basis for the Organization". We have expectations that, by having these matters discussed comprehensively here in the General Assembly today, members will not fail to recognize the strong political signal implied — and to act accordingly.

The Secretary-General painted an all-too-familiar dark picture: it shows severe cash-flow problems and depleted reserves — and reveals, as in the past, that only a small number of countries live up to their financial obligations towards the United Nations.

The Nordic countries have always fulfilled their Charter obligations and made their payments in full, on time and without conditions. All Member States must do the same, as this is the essential requirement if the United Nations is to respond to demands for international action. The Member States are continually requesting the United Nations system to play an ever-increasing role in all fields of international cooperation. Evidently such requests must go hand-in-hand with statutory obligations to pay the assessed contributions. However, the widening gap between ambitious political decisions and the resources provided to the Organization undermines the authority and credibility of the United Nations and its Member States.

The effects of non-payment and late payment of assessed contributions also represent a significant burden to troop-contributing countries, as reimbursements are delayed. Every effort must be made to remedy this situation. The unsatisfactory state of affairs threatens to erode the clear and firm political foundation that is a prerequisite for safeguarding a continued, broad-based, reliable provision of personnel to future peace-keeping operations.

To respond effectively and quickly to situations that call for international action, it is important that the United Nations should continue to reform its budget process, procedural requirements and managerial infrastructure. This applies to peace-keeping activities in particular. The Secretariat and Member States must also look closely at all ongoing programmes and set priorities.

The Nordic countries fully support, and wish to further encourage, the Secretariat's efforts to implement administrative reforms, including transparency and accountability, by improving the programme planning and the managerial structure and support. We have also seen steps to accommodate the distinct need for strengthening control and audit within the United Nations, in order to make sure that Member States feel they are getting the best "value for their money".

Let me now turn to some of the proposed remedies for the cash-flow problem put forward by the Secretary-General.

We thank the Secretary-General for his initiative in compiling and presenting to the General Assembly a number of suggestions, including both incentives and sanctions. We welcome consideration of these proposals as well as additional innovative and creative ideas to improve the financial situation of the United Nations.

The Nordic countries strongly support the recommendation to give the United Nations authority to charge interest on new arrears. It is the view of our delegations that early payments by some Member States should not subsidize the Member States with poor payment records. We see a need for a report from the Secretary-General on the implementation of this idea.

We would like also to see a more strict interpretation of Article 19 of the Charter of the United Nations and related regulations governing the definition of both arrears and outstanding contributions.

We hope to see more effective cash management by the Secretariat in order to maximize the availability of cash. The promise of greater effectiveness in billing

practices is also welcomed and should be encouraged. Regarding contributions of non-financial resources, we can accept further elaboration on the idea, but we would like to call for a very careful approach in this matter. Any such system should build on simple, transparent and comparable criteria and should be specifically requested by the Secretary-General within a framework clearly defined by the General Assembly.

A longstanding major issue is finding a system for the start-up financing of new or expanded peace-keeping operations. The Nordic countries are committed to finding ways to enhance the Secretary-General's commitment authority and to ensure front-end assessment possibilities. Also in relation to peace-keeping operations, the Secretary-General's proposal to issue peace-keeping redeemable certificates deserves further examination.

Like the Secretary-General, the Nordic countries find it necessary to ensure the United Nations financial flexibility through cash reserves commensurate with the level of expenditures of the Organization. As a first step, existing reserve funds should be capitalized and brought to function, as envisaged at their creation. The Nordic countries would like to point out that the problems relating to the replenishment of reserves would not exist if all Member States paid their assessed contributions.

The future financial situation of the Organization also depends on changes in the apportionment of United Nations expenses so as more accurately to reflect Member States' capacity to pay.

We would like to express our full support for the three basic concepts mentioned in the Secretary-General's paper: capacity to pay, the special responsibility of the permanent members of the Security Council, and objective criteria for realignment of Member States' contributions. The United Nations assessment scheme also must be simple, transparent, stable and reliable.

The Nordic Countries acknowledge the fact that the assessed contributions of some Member States are considered too high, particularly by those countries that have seen radical changes in their economies over recent years. A fairer burden-sharing should accommodate these concerns, and it might also change the way the United Nations is perceived and remove political obstacles to payments. The methodology must enjoy the confidence, or at least the acceptance, of all Member States. Therefore, the time has come to consider scales of assessment in a political context, and we hope soon to see a widely based review of both scales of assessment that would cover all the questions raised in the Secretary-General's paper.

The Nordic countries welcome this very important opportunity to address the financial situation of the United Nations. We hope that today's debate is but a prelude to the urgently needed substantive and serious work that we wish to see undertaken at a high political level in an open-ended working group under your leadership, Mr. President.

We must seize this opportunity to pave the way for a United Nations in which all Member States are willing and able to fulfil their financial obligations. The Nordic countries, for their part, will continue to contribute actively to reaching this goal.

Mr. Sardenberg (Brazil): As we address the important question of the financial situation of the Organization, the delegation of Brazil wishes, at the outset, to associate itself with the statement made by the Permanent Representative of Algeria on behalf of the Group of the 77 and China.

During its five decades of existence, the United Nations has time and again been faced with difficult financial situations, despite the pledges of its Member States to support its goals and activities. Because the contributions assessed on its Member States are the main source of funding for the Organization, the failure by the former to honour in full, on time and unconditionally their obligations under Article 17 leads the United Nations to cash-flow shortages that deplete its reserves.

Various suggestions and innovative arrangements have been often proposed, but they fail to address the root cause of the cash-flow problems of the Organization. More recently, restricted groups have been formed to discuss alternatives to the current financial situation. While their efforts are earnest, the outcome of these exercises lacks authoritativeness, since the proper way to address the question of the financial situation of the Organization is through an open and democratic dialogue among all Member States. In a crucial matter such as this one, the search for solutions that are not able to command the support of all the interests of the membership at large are likely to prove counterproductive as the Organization approaches the commemoration of its fiftieth anniversary.

As pointed out by the Secretary-General in his report on the work of the Organization, United Nations activities in the field of the maintenance of international peace and security, especially through peace-keeping operations, have experienced a dramatic surge in the last few years. Their total cost has increased more than fourfold, while other Charter-mandated activities, borne by the regular budget of the Organization, have experienced only marginal increments. Furthermore, technical cooperation activities have even been subject to a small reduction in view of the dwindling volume of voluntary contributions.

Peace-keeping operations are perhaps the most valuable tool at the disposal of the Organization to deal with situations that threaten international peace and security. They are ad hoc arrangements, not foreseen by the framers of the Charter, which are established by the Security Council and placed under the administrative authority of the Secretary-General. As these unique operations stemming from the so-called "Chapter VI and Half" grow in size and complexity, the Headquarters structures devoted to their administration have lagged behind. Therefore, it comes as no great surprise that the managerial aspects of peace-keeping operations are frequently criticized. For instance, a recent report of the Board of Auditors regarding the area of procurement has noted that the Organization does not possess a management culture designed to ensure impartiality, transparency and openness, with a view to emphasizing competition among providers. As a result, the Board concluded that the Organization is not getting the best value for its money.

Mr. Pak (Democratic People's Republic of Korea), took the Chair.

In this connection, we await the decisions to be taken by the Fifth Committee on the agenda item "Administrative and budgetary aspects of the financing of the United Nations peace-keeping operations". It is likely that a number of important reforms of the administrative procedures of these operations will be agreed upon.

The organization of the work of the General Assembly is based on the allocation of items between thematic Committees, according to their substance. At the outset of the General Assembly's forty-ninth session, the General Committee, on the basis of the directives laid down in resolution 45/45, decided by consensus that the item dealing with the financial situation of the Organization should be allocated to the Fifth Committee, with a view to deriving the greatest possible benefit from the expertise of that Committee. Therefore, we consider that it would have been more appropriate for the present discussion to take place in that Committee.

Nevertheless, my delegation welcomes the fact that an open-ended working group is to be established under the Fifth Committee and that it will be guided by that Committee's time-tested method of work. Indeed, my delegation is traditionally a firm supporter of the consensus-building process of the Fifth Committee. Any weakening of that principle and of that procedure would be likely to endanger the progress achieved, since the adoption of resolution 41/213, with regard to approval of the Organization's programme budget and other matters before the Fifth Committee.

As to the matters to be taken up by this open-ended working group, my delegation believes that priority should be given to the question of the payment of arrears. In our view, the Organization is confronted not with a structural financial crisis but, rather, with a cash-flow imbalance. This should be addressed before any other matter.

Different topics have been suggested for inclusion in the mandate of the working group. As to the budget cycle of peace-keeping operations, for instance, my delegation notes that this subject is already being discussed by the Fifth Committee and that no duplication is called for. Also, it is hardly acceptable that there might be a link between the scales of assessment and the financial situation of the Organization.

Both the scale of assessment under the regular budget and the special scale for the apportionment of peace-keeping expenditures have resulted from a long process of institutional improvement. In particular, the special scale, which was established by resolution 3101 (XVIII), enshrines a number of fundamental political and economic considerations. Continuous adherence to this scale for more than 30 years has given stability to the financial foundations of the Organization.

First and foremost, the principle of the special responsibility of the permanent members of the Security Council, as recognized by resolution 1874 (S-IV), acknowledges that peace-keeping expenses, which nowadays constitute the bulk of the Organization's costs, are a collective but differentiated responsibility of Member States. The special scale is a reminder that when the Security Council exercises the exceptional powers conferred upon it by the Charter it should act in a financially responsible way.

It has been argued that we should seek what is termed a more equitable way of apportioning peace-keeping expenditures. If we were to accept that reasoning, a logical concomitant would be that the Security Council's decision-making process for the establishment of peace-keeping operations should also be rendered more equitable. The fundamental correlation between equitable taxation and equitable representation is the key to any discussion of the peace-keeping scale.

The other principles of the special scale have also been consistently upheld by Member States in all General Assembly resolutions devoted to the financing of peace-keeping operations. Developed countries are in a position to make larger contributions than developing countries to the financing of expenditures. The maintenance of international peace and security is a solidarity task that should be performed by mustering resources from States according to their capacity to pay, and providing funds according to what is required for the maintenance of international peace and security.

This Organization, which was created almost 50 years ago, is devoted to the realization of the high aspirations of the international community. It is committed to the maintenance of international peace and security, the promotion of economic and social development and the promotion of human rights, but also to the democratization of international relations. It is of fundamental importance that the United Nations be able to count upon the means of achieving these goals in a stable and predictable manner. We must all work together towards these goals in an equitable and democratic manner, with a view to achieving effective and lasting solutions.

Sir David Hannay (United Kingdom): May I first thank the President of the General Assembly for his initiative in convening a debate on this issue of crucial importance for the Organization. We hope that the General Assembly will continue to benefit from his energy and wisdom in carrying this debate through to operational conclusions during the current session.

My delegation is naturally fully associated with the statement made earlier by the representative of Germany on behalf of the European Union. However, I am speaking in this debate today because, as a permanent member of the Security Council, the United Kingdom plays a particularly important role in the financing of the peace-keeping activities of the United Nations and because of our concern that the financial crisis of the United Nations is now threatening its ability to carry out its major functions. These include peace-keeping and other activities and programmes funded from the regular budget, on which the hopes of people in many parts of the world depend.

We therefore strongly agree with the Secretary-General, who, in his statement to the Assembly of 12 October, referred to this as a crisis of political dimensions. The United Nations must not go into its second half-century on an insecure financial base or with the half-hearted commitment of Members to the financing of activities that they themselves have authorized.

There is no need here to set out in detail the nature of the crisis, since this is well described in the report of the Secretary-General. The pressures apparent over the last few years have now reached a genuinely critical level. The accumulated debts of the Organization are about to overwhelm the capacity of the financial managers to maintain the integrity of the operations.

The problem comprises, broadly, three major elements, each linked to the others.

First, there is the problem of chronic non-payment of contributions and late receipts from Member States. This problem is getting worse. At the end of October 1994, 52 Member States had made no payment in 1994 to discharge their regular budget assessment. By comparison, at the same date in 1992 only 17 States had made no regular budget contribution.

Secondly, there are problems related to budgetary procedures, which could be rationalized and streamlined without any loss of essential control by the Member States.

Those two factors, in conjunction, and the resulting cash-flow problems of the Organization have led to two unhealthy phenomena. The first of these is excessive recourse to "internal borrowing" — taking a temporary cash surplus from one operation to finance another, with no certainty that it can be recouped at a later stage. The second is the non-payment by the United Nations of the sums due its creditors — in particular, peace-keeping contributors, to which, even now, the balance owed stands at more than $200 million and is increasing by $200 million a month. Worse still, we are faced with the prospect that it will not be possible for actions that have been requested of the United Nations to take place because the funds that are there in theory are not there in practice.

These problems not only go against financial prudence but seriously erode the willingness of Member States to contribute to United Nations peace-keeping. I

am not speaking only of countries like my own, which recently received its final reimbursement for a contribution to the Namibia operation that ceased more than four years ago, but also of poorer countries, such as many of the troop contributors to Somalia, which answered the call when others urged them to do so. It cannot be said too starkly: without willing troop contributors the United Nations cannot exercise its responsibilities in the field of peace and security.

The third element of the problem we are looking at is the scale of contributions itself, which, despite the useful work of the Committee on Contributions, needs a new effort to re-establish itself as an equitable basis for the apportionment of costs among the Member States and their prompt payment by them. The commitment of Member States to financing the Organization is inevitably linked to this issue of equitable distribution.

Some delegations have expressed the view that the problem could be solved simply by those major contributors that are in arrears becoming current on their payments. In the British Government's view, a binding commitment for the future to be current with all payments is, indeed, an essential part of any solution, but it is not in itself a sufficient solution. We, like other members of the European Union, regard our financial commitments to the United Nations as an international obligation. We do not accept the view that contributions internationally agreed and accepted by Governments should be regarded as a discretionary item of spending for any Government or legislature. Payment promptly and in full is a *sine qua non* for the adequate financing of the United Nations. We understand that legislative cycles may impose certain limitations on the timing of payments for some countries, but the United Nations must at least be able to count on receiving those payments at a predictable time. We will be happy to consider in this forum any new ideas for incentives for early payment or penalties for chronic delays.

However, the current crisis is not attributable solely to the arrears of one or a few Member States. It is a fact that the peace-keeping assessment of the largest Member State has risen from 28.89 per cent in 1973 to 31.735 per cent in 1994, largely as a result of a mechanism, decided on in 1973, which attributes to the permanent members the cost of rebates to new United Nations Members, the number of which could not at that point have been foreseen. Because of the explosion in the scope and cost of peace-keeping, the figure in volume terms reflecting those percentage terms has risen from $55 million in 1988 to $1 billion in 1994. It is this that gives rise to complaints. We note, however, in passing, that the aggregate contribution of the 12 existing members of the European Union for peace-keeping stands at 32.84 per cent and will, after 1 January 1995, with the accession of three new members, rise to 36.89 per cent if the new regular-budget scale, as recommended by the Committee on Contributions, is adopted.

Despite the valuable updating of the scale of peace-keeping assessments by the Committee on Contributions, it is widely acknowledged, in fact, that there are still certain categories of States that are paying relatively too little and others that are paying relatively too much. In the latter category are certainly some of the States of the former Soviet Union and the countries in transition in Eastern Europe, whose assessments have yet to be adjusted to the dramatic changes which their economies have undergone in the last few years. Also in that category are a large number of other Member States, including mainly those that joined the United Nations after the last major review of the system in 1973, many of which have very small economies. In the former category — those that do not pay enough — are a number of newly developed countries whose economies have strengthened significantly in the last decade or so.

One can perhaps illustrate the extent of the anomaly by pointing out that the per capita income of the 96 countries in Group C under the current peace-keeping assessments varies from $17,495 at the top end to $80 at the bottom end. Given that the average per capita income world wide is $2,555, there is little equity in applying the same 80 per cent peace-keeping discount to all these countries. Another calculation shows that, in relation to their share of the world economy, 10 countries pay less than a quarter of what would objectively be indicated, and 10 countries pay more than 10 times their share.

I mention these facts, not as an indictment of the system as a whole, which has certain strengths and rests on certain principles which should, indeed, be maintained, but to underline the fact that the efforts to deal with the anomalies which have developed over the years by isolated appeals to individual Member States have not proven and will not prove a viable way forward. The only potentially successful way of removing the problems is, we believe, through reviewing the methodology and reapplying it to all States on a basis which is demonstrably objective and fair.

We believe that a workable methodology can be derived fairly simply from the application of three principles which have stood the existing system of contributions in good stead: First, contributions should be based on a Member State's relative capacity to pay,

measured as objectively as possible. We welcome the establishment of an expert group to examine the issue of capacity to pay. While it is likely that in the short term we shall still have to rely essentially on national-income data provided by Member States and exchange rates provided by the market and the International Monetary Fund, we should be open to the introduction of alternative suggestions if these are forthcoming at a future date. Secondly, we have the principle of some relief for countries with low national incomes; and, thirdly, a premium in the peace-keeping contributions of permanent members of the Security Council.

Nationally we would also support the retention of a maximum limit for any Member State at the current level of 25 per cent on the regular budget. The question of the floor for the very small contributors, we believe, needs to be looked at afresh. My delegation will provide the working group of the General Assembly which we hope to see set up to delve into all these matters with some more detailed food for thought and illustrations of possible approaches.

What we are suggesting amounts not so much to a radical departure from accepted principles as to a fairer result through the more consistent application of those same principles. By removing some of the rigidities of the existing system we could also achieve a flexible, self-adjusting mechanism which would take the political heat out of the changes in the scale, because they would then occur naturally in small steps as nations' relative wealth grew or declined.

The scale is not the only issue for this group, by far, but we believe that it and its counterpart — which is the commitment of all Member States to honour the obligations based on any new arrangements — are two vital goals for our efforts at this session of the General Assembly.

Similarly, we believe the report of the Secretary-General and the paper which he presented to the General Assembly on 12 October, which contains some excellent ideas, should be the starting-point of our discussion, but not to the exclusion of other relevant proposals which delegations may wish to bring forward.

What is now required is to start work on the issues. It is essential that all Member States have an opportunity to participate. We therefore support the proposal for an open-ended high-level working group under the chairmanship of the President of the General Assembly, with the involvement both of ambassadors and of experts of the Fifth Committee. We recognize the competence of the latter body and the need for its expertise, especially on technical issues. On the other hand, many of the decisions that will have to be taken will be essentially political ones. This exercise should also proceed independently of the Fifth Committee's regular deliberations, in order to reach conclusions which could be submitted through the Fifth Committee by the end of this session of the General Assembly. Meanwhile, we do not call into question the validity of the decisions of the Committee on Contributions and the Fifth Committee regarding the scale for the next triennium.

Whether we are talking about the "Agenda for Development", peace-keeping or any other major initiative of the United Nations, nothing can be built on an unsound financial base. We hope that under the wise guidance of the President of the General Assembly, the political will can be found to solve this crisis on a long-term basis, for the benefit of every Member State and the world as a whole.

Mr. Mumbengegwi (Zimbabwe): My delegation would like to thank the President most sincerely for having invited the General Assembly to address the crucial question of the financial situation of the Organization. The Secretary-General of the United Nations has made several revealing presentations to the Assembly, including his report (A/49/1) on the work of the Organization, in which he has broadly covered the various aspects of the persistent financial crisis.

My delegation fully associates itself with the statement made by the representative of Algeria on behalf of the Group of 77 and China. It is a source of regret to my delegation that the Organization has had to experience throughout its history a series of financial crises of varying gravity. The Secretary-General's report clearly substantiates the fact that the Organization is currently facing a cash-flow crisis. This is the consequence of the non-payment by Member States of their assessed contributions in full and on time. Thus, my delegation does not share the view that there is somehow a link between the cash-flow problem and the current scales of assessment. Unless a way is found to ensure that Member States pay up in full what they owe to the Organization, the financial crisis will persist, notwithstanding any changes that may be made in the scales of assessment. Any efforts to review the administrative and budgetary mechanisms without effectively tackling the whole question of the political will and commitment of Member States with regard to the fulfilment of their financial obligations under the Charter would be a futile exercise.

There is always room — and, indeed, need — for us to continue to aspire to improve upon the existing

budgetary practices and scales of assessment. In this respect the General Assembly has at its current session allocated the respective agenda items to the appropriate Main Committee, which is the Fifth Committee. My delegation is happy that the Fifth Committee is at present studying proposals made by the Secretary-General on the effective planning, budgeting and administration of peace-keeping operations. The observations and recommendations made by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) following its detailed study of those proposals will prove most useful to the Fifth Committee.

In addition, my delegation also awaits the conclusion of the important study that is to be undertaken soon by the Ad Hoc Intergovernmental Group of Experts whose creation was mandated by the General Assembly on 29 November 1994. We believe that, given its broad mandate to study the implementation of the principle of capacity to pay in determining the scale of apportionment of the expenses of the Organization among Member States, the Ad Hoc Group should be able to come up with helpful findings which, when studied by the Committee on Contributions, the ACABQ and the Fifth Committee, should pave the way for the General Assembly to make a well-considered and rational decision on the methodology for determining the scale of apportionment.

In that process the General Assembly should be motivated more by the quest for the broadest-possible consensus than by the itch to arrive at a hasty decision. Let us not lose sight of the fact that the current financial crisis is not the result of the current methodology of determining the scales for both the regular and the peace-keeping budgets, which are based on Charter provisions and General Assembly resolutions that have served the Organization well over the years. The hub of the financial crisis is the fact that Member States of the United Nations lack the political will and commitment to pay their dues to the Organization in full and on time. This is the challenge that we cannot wish away but must face and confront, both individually and collectively.

Mr. Flores Olea (Mexico) *(interpretation from Spanish)*: The United Nations has been faced with difficult financial situations throughout its existence. Nevertheless, in recent years the proliferation of United Nations activities, particularly with regard to the maintenance of international peace and security, has made the Organization's financial problems even more severe.

In the United Nations Charter Member States affirmed that they would bear the expenses of the Organization as apportioned by the General Assembly. Accordingly, the General Assembly adopted general principles to ensure the Organization's financing on the basis of experience and of political and economic factors guaranteeing that all Members were assessed justly and equitably.

Member States must enable the Secretariat to achieve the purposes set forth in the Charter. That was a responsibility the United Nations shouldered for the international community 50 years ago. To that end, Members of the Organization must give it the resources it needs to achieve its purposes and enable it to meet the financial obligations connected with its tasks.

In his statement to the General Assembly on 12 October, the Secretary-General noted that the Organization's financial situation was precarious because a large amount of the financial assessments of many Member States had not been paid, and he concluded that the failure of Member States to pay their assessed contributions in full and on time was the principal cause of this situation.

According to the Secretary-General, the critical financial situation the Organization is facing is related to the peace-keeping operations, although there are also great difficulties with regard to the regular budget. This discouraging picture is only to be expected when we consider that the unforeseeable budget for peace-keeping operations now stands at three times the amount of their regular budget.

My delegation is of the view that late payment by Member States of their financial obligations can be attributed to various causes. Some Governments must go through complicated domestic administrative procedures in order to free funds for the United Nations. In other cases, above and beyond the will of Governments, particularly in developing countries, there are financial problems that prevent them from paying on time. Moreover, we must not forget that another cause may simply be the lack of will to meet such obligations on time and in full.

In addition, the unpredictable nature of the establishment of new peace-keeping operations and the renewal or expansion of the mandates of existing operations place an additional burden on Member States, since most Governments give themselves a one-year lead in preparing their yearly budgets. It is therefore difficult for a State to pay its assessments, especially for new peace-keeping operations, within 30 days of being informed of its share of contributions by the Secretariat.

Despite all this, I wish to emphasize that most Member States are striving to meet their commitments. As of 30 October 1994, Member States owed the regular budget $770,190,212. In that respect, I note that, as can be determined from the figures relating to payment of the Organization's financial obligations, 67 Members had paid in full. In other words, the share of the less-developed countries in the debt is only 1.71 per cent, whereas the share of developing countries is 11.14 per cent.

Although my delegation believes that the reason for the Organization's current financial situation is the failure of Member States to pay their assessments, it is none the less willing to participate, preferably within the framework of the Advisory Committee on Administrative and Budgetary Questions, in a comprehensive exercise to establish a financial basis founded on an understanding of the causes of the financial problems and not designed merely to meet the concerns of the domestic sectors of some countries. It is to be hoped that that exercise would ultimately lead to all States' being convinced that a financial foundation for the Organization had been reached on the basis of equitable criteria.

The financial review must be made within the context of a frank and open dialogue aimed ultimately at providing the Organization with the resources necessary for the optimal performance of its functions. This would require more than a mere reordering of the financial structure of the United Nations whereby the burden would be transferred from some countries to others.

It must be acknowledged that the financial problems of the Organization are not due solely to deficient cash flow or to the lack of credibility of the current system of apportionment. Though I do not wish to minimize these aspects, the financial crisis of the Organization is more of a structural nature, revealing an imbalance between the availability of resources and the budgeting of costs. We believe that it is necessary to address this crisis at three levels.

First, it has been noted that the Organization's capital base has long been limited, owing to arrears in some Member States' payment of their assessments. While it is true that a budget based on the Organization's receiving all outstanding assessments would not constitute a lasting or final solution to the financial crisis, it would undoubtedly eliminate the current hesitancy about making commitments on the basis of resources that are not yet available.

A first step towards establishing a healthy financial basis would be the payment of all outstanding assessments. This would give the Organization a breathing space and allow it to meet all its financial obligations on time, including those to countries which contribute troops to peace-keeping operations. It would also considerably increase its capital assets. At the same time, it is appropriate to stress the obligation of all Member States to bear the Organization's expenses as apportioned by the General Assembly, in accordance with Article 17 of the Charter. We therefore welcome the announcement made by one Member State with considerable and longstanding arrears that it will be paying a total of $1.2 billion before the end of the year.

Secondly, it is essential for the level of expenses to be adjusted to the real level of income. The Secretariat must work to prepare a budget on the basis of the real prospects for the collection of resources. Furthermore, once a budget has been adopted — whether the regular budget or the budget for each of the peace-keeping operations — the United Nations must adapt its action strictly to the budget amount. In other words, savings must be made if the available resources are to be put to the best use.

In this austerity exercise, the temptation to overburden the peace-keeping budget at the expense of other United Nations activities must of course be resisted, as was noted by the General Assembly in its resolution 49/37 on a comprehensive review of the whole question of peace-keeping operations in all their aspects, which stipulates that the allocation of new resources to such operations must not be made to the detriment of activities relating to cooperation for development.

Thirdly, there is no financial machinery for maintaining liquidity, that is, for ensuring that the cash income from Member States is equivalent to the cash outlay which the Organization must make at any given moment. In this context, it is necessary adequately to address the structural problems of budgetary planning and implementation. In other words, it would be worth while in particular to revise the conditions in which new peace-keeping operations are authorized and to rationalize their budgets with a view to ensuring that States are not assuming unforeseen burdens which will be difficult for them to bear. It does not seem sufficient to limit ourselves solely to revising proposals for increasing the cash flow or the scale of assessments.

A comprehensive review of the scale of assessments would be successful if it studied how income could be increased through procedures for apportionment which are based on the equitable concept of "capacity to pay" and which take into account the political and financial responsibilities of the permanent members of the Security

Council, particularly as they relate to peace-keeping operations. Otherwise, an approach aimed at simply redistributing expenditures to alleviate the burden of some Member States without affecting total income would only be meeting the concerns of those specific States.

In any case, my delegation would like to point out that any revision in the assessment procedures must incorporate the current principle governing the regular budget that States with more resources must pay a larger share of total expenditure in accordance with the principle of "capacity to pay". The system for assessing expenditures for peace-keeping operations must continue to be based on the principle of special responsibility for the permanent members of the Security Council, while taking into consideration the financial potential of States with greater resources.

The periodic review of the methodology to determine the scale of assessments for the regular budget — in which the Committee on Contributions exercises its advisory function — must be in keeping with equitable and realistic criteria that appropriately reflect the obligations of the countries with greater resources and higher per capita incomes. The conclusions of the working group of intergovernmental experts entrusted with reviewing the concept of "capacity to pay" — which was set up pursuant to resolution 48/223 — will be especially significant.

My delegation believes that the so-called "special scale" rule should be institutionalized; in this way, States would have no doubts on the application of the method for fixing assessments established in resolution 3101 (XXVIII).

Although it is recognized that there is a need to update the definition of the groups in the special scale in order to bring it in line with current realities, it is also considered that the General Assembly should wait until the exercise on reforming the Security Council has been completed. Indeed, as long as there may be new categories of Council members, it is not possible, on a realistic basis, to define precisely what groups should be in the special scale.

My delegation wishes to pay a tribute to the Secretary-General for his commitment expeditiously to see to it that the goals of the United Nations are respected, particularly those relating to the maintenance of international peace and security; this has led him to submit many reports and proposals to the various bodies of the General Assembly. Most of these reports and proposals are carefully studied in the Advisory Committee on Administrative and Budgetary Questions under agenda item 132 of the forty-ninth session. In the general debate, emphasis was placed on the need for Member States to speed up budgetary processes, without losing sight of respect for the budgetary prerogatives that the Charter has given to the General Assembly. In the view of my delegation, the remaining proposals are closely related to items 109 and 112, which have also been allocated to the Fifth Committee.

In conclusion, I should like to point out that the commitment of States to the United Nations should be reflected in their meeting all of their obligations in a timely, comprehensive and unconditional manner.

Mr. Keating (New Zealand): The Secretary-General was absolutely right when he took the dramatic step at the end of the general debate in October to call attention to the financial crisis facing the Organization. It is right that Member States should now have the opportunity of this special debate to react to the Secretary-General's important message.

Many of the problems the Secretary-General identified in his statement and accompanying paper are not new. Chronic financial difficulties have been on the Assembly's agenda in one form or another for the last 18 years.

But this year we have reached a point where these chronic problems, combined with new and potentially more damaging elements, have magnified the situation to a crisis.

Expanded peace-keeping responsibilities and the serious and growing gap between assessed liabilities and contributions threaten the viability of the Organization. In addition, the largest contributor has indicated that it will unilaterally reduce its share of funding from next October. To add to these problems, many of the Organization's outdated administrative and budgetary procedures can no longer cope with the unprecedented demands. We believe that these procedures are themselves putting intolerable strains on the United Nations and its ability to deliver.

We are therefore at a crossroads. The system is under severe strain and in danger of breaking down irreparably unless remedial action is taken quickly to adjust to the new realities. Action is essential. Waiting for a diminution in peace-keeping commitments or the reform of the Security Council is not a credible response. The minimal peace-keeping requirements of previous decades are not likely to return.

And we are conscious that the problems we are facing are far wider than simply those attributable to the

escalation in peace-keeping. As the Secretary-General pointed out, the future viability of the Organization, and its very credibility, are at stake. The Member States cannot ignore the Secretary-General's warning. Avoiding problems is no solution. Unfinished business never disappears; it only festers. And invariably it becomes more intractable and more urgent.

The General Assembly, therefore, must face up to this crisis. It must be equipped to adapt to the changing circumstances of the 1990s, so that by the fiftieth anniversary we have a sound basis for contemplating the priorities for the twenty-first century.

The people of New Zealand support the United Nations revitalized role in the post-cold war era. Like most small States they have high expectations of the United Nations and a strong interest in its success and survival. This support for the United Nations is manifested not only politically but also in financial terms. We pay our contributions in full and on time and are prepared to commit our energy and resources to assisting the United Nations in resolving this financial and administrative crisis.

In his statement of 12 October 1994, the Secretary-General identified the three broad areas of difficulty facing the United Nations: late payments, cash-flow problems, and inequities in the methods of assessment.

With respect to late or non-payment, the Organization has been facing a chronic handicap in this area for many years. But the situation is rapidly becoming worse. At present, there are major unpaid debts to countries which contribute personnel and equipment to peace-keeping, large unpaid budgetary surpluses owed to Member States, and substantial liabilities to vendors and suppliers. Total liabilities exceed available cash and there is no prospect of anything but further deterioration. Such a situation is not sustainable.

The causes of the problem are simple enough. Some Members cannot pay. Others will not pay. Such a situation must be addressed on two fronts. First, the introduction of measures that enhance the fairness and predictability of assessments; and, secondly, incentives and disincentives to encourage Member States to meet their obligations on time and in full.

The Secretary-General has made a number of proposals which are currently being considered and which would go a long way towards ensuring improved predictability in forecasting the amount and timing of requirements. But we believe that much more could be done in this area. We note that the regular budget provides for a vast range of mandated and programme activities in a manner which, nevertheless, allows Member States to debate and scrutinize proposals thoroughly and gives their national financial authorities sufficient time and information with which to anticipate and make timely provision for payment. Bearing this in mind, there is no reason, in our view, why the peace-keeping budgetary requirements could not be compiled along similar lines. The Secretary-General's proposal to institute annualized estimates for all peace-keeping missions is a welcome step in the right direction. We urge speedy approval of that proposal.

We also believe the time is right for the membership to adopt a system of incentives and disincentives to improve the rate of receipt of contributions.

The United Nations can no longer go on extending free credit to the non-payers and the late payers. In the real world, those who choose not to pay off their credit card, when it is due, incur interest charges on top of the principal. And let us remember that taxpayers who are late in paying their assessed tax contributions incur not only interest charges but penalties as well.

We support the Secretary-General's proposal, therefore, that interest should be charged on future arrears. Special bridging arrangements may need to be contemplated for countries whose arrears are due to circumstances beyond their control. Other similar measures may also be necessary. And in this context we believe that the time is also long overdue for the Assembly to take steps to define and enforce a strict interpretation of the provisions of Article 19.

As to the cash-flow problem, the Secretary-General has identified six broad ways of tackling it. Some of these, such as the improved management of bank account funds and the proposed new peace-keeping budget cycle, are well-developed schemes for which Member States have already voiced strong support. Others require further elaboration for consideration by Member States. In particular, we endorse the Secretary-General's concept for the advance payment of one-third of the preliminary estimates for the start-up and expansion costs of peace-keeping operations, with the balance payable on approval of the detailed budget.

Let me now turn to the question of methods of assessment. As we see it, considerable evidence has been emerging to suggest that there are serious inequities in the present methods of assessment. Significant numbers of Member States appear to be under- or over-assessed at rates that do not reflect their true capacities to pay. We

are seeing growing evidence, for instance, that many Member States, including most of our smaller and poorest Members, are subsidizing larger and richer Members.

Our existing processes have so far have been unable satisfactorily to deal with, or adequately even address, these anomalies and inequities. To some extent, the problems are the result of an accumulation of years of political fixes and an inelastic, complex system that is incapable of responding to the rapid economic changes affecting national economies these days.

This debate is showing that demands to review the equity of current assumptions are in fact quite widely felt, across regional groups and by countries both large and small.

The Committee on Contributions and the ad hoc working group established pursuant to resolution 49/19 will be looking at some of these issues in the coming year. While their work will no doubt make a constructive contribution to the debate, both bodies have a restricted membership and circumscribed terms of reference. What is needed in our view is a fundamental review of the existing arrangements by all Member States, with a view to establishing more transparent, objective and fair criteria that Member States as a whole can support. This would require that all Member States examine the current methodologies for regular budget and peace-keeping assessments and exchange views on perceived shortcomings in an open and frank manner.

We believe that the financial problems affecting the Organization require urgent action. They cannot be avoided. They must be addressed and solved collectively. The political and financial viability of the United Nations depends upon it.

For that reason, my delegation strongly supports the idea of establishing a high-level open-ended working group to take up all these issues, urgently, next year.

Because of the extensive political implications, we would prefer to see such a group established as a working group under the President's able and distinguished chairmanship, following the pattern of the equally important Open-Ended Working Group on Security Council reform.

We agree that there is a vital need for delegations' Fifth Committee representatives to be closely involved in many aspects of such work. Some kind of functional association with the Fifth Committee could be considered.

One thing is clear, however: the Fifth Committee cannot undertake this work either in the Committee itself or in some subordinate body of the Committee. As is well known, the Fifth Committee, its staff and its conference servicing resources are already overstretched by an extraordinary backlog of work. They simply do not have the people, staff resources or time. In establishing this open-ended working group our objective should not be to further burden the Committee and force it to delay its current work further. That would be fatal to the short-term immediate needs of the Organization. Instead, we should be looking at an arrangement that allows the high-level working group to function independently of the Fifth Committee's already full work programme, but in close association with the Fifth Committee and perhaps channelling its final report to the General Assembly through the Fifth Committee. One thing of which we are very sure is that the two bodies must not compete for resources to do their respective work.

Lastly, New Zealand believes that these issues have to be brought to some conclusion by the end of the forty-ninth session. The membership must confront the crisis before it spirals out of control. Confronting the crisis does not mean submitting to unilateral demands. The demands for change are now, in fact, widespread. All it means is that we take steps to avoid the fate of the lemmings, those small creatures which collectively leap to their death because they do not know how to change course.

If the celebration of the fiftieth anniversary is to have any relevance to the future, these problems must be squarely addressed now. The Assembly may be assured of my delegation's full support and cooperation in working towards a solution.

Mr. Pibulsonggram (Thailand): My delegation welcomes the opportunity to discuss the financial situation of the Organization, and in this connection wishes to express its appreciation to the Secretary-General for his statement to the General Assembly on 12 October 1994. My delegation has carefully examined his paper on ensuring a viable financial basis for the Organization, which was annexed to his statement.

Earlier this morning, the Chairman of the Group of 77, the Permanent Representative of Algeria, Ambassador Lamamra, made a statement on behalf of the Group of 77 and China. My delegation fully associates itself with that statement.

My delegation has already expressed on several previous occasions its concern over the precarious

financial situation of the United Nations. Please allow me to reiterate once again our firm belief that the Organization needs a solid and stable financial foundation in order to carry out effectively and efficiently the duties and mandates entrusted to it by Member States. In this context, the Secretary-General rightly pointed out in his statement that

> "there is no use talking about reshaping the responsibilities of the United Nations unless the resources are there to carry out those responsibilities." (*Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 28th meeting, p. 20*)

Thailand has been increasingly concerned in recent years over the ever-widening gap, whether imagined or real, between what is expected of the Organization and what it can achieve. What is at stake is the reputation, the credibility and even the survival of the Organization itself. There is no doubt in my mind that the prolonged financial crisis has tarnished the reputation and strained the credibility of the United Nations.

We also have no doubt that the present precarious financial situation is caused, on the one hand, by late payments by Member States of assessed contributions, and, on the other hand, by the dramatic growth in the number and scope of United Nations peace-keeping and other operations, the cost of which has grown from $600 million in mid-1990 to $3 billion in 1994.

The Secretary-General noted in his statement that another cause lay in the process of approving peace-keeping budgets and appropriations. In this regard, the Secretary-General, in part at the urging of the Advisory Committee on Administrative and Budgetary Questions, has proposed several measures to develop a rational system for the budgeting, financing and administration of peace-keeping operations, as set out in documents A/48/945 and A/49/557. My delegation has already commented upon several of his proposals in our statement in the Fifth Committee under agenda item 132, and we will not repeat those comments here. We wish to reiterate only our view that while the Secretary-General's proposals will go some way towards better management of financial resources, and may alleviate the cash flow problem, they do not address the heart of the matter — the failure by a number of Member States to meet their obligations under Article 17 of the Charter. Indeed, if all Member States had met their Charter obligations, the Organization would not have faced financial crisis.

The call to Member States to pay their assessed contributions in full and on time has been made so often that it is fast becoming a vacuous repetition of principle. The right approach therefore is to discuss how Member States can be encouraged — and made — to pay their assessed contributions in full and on time as well as to settle their arrears.

In this regard, my delegation does not profess to have ready answers. We understand that some Member States are genuinely unable to meet their obligations, due to adverse economic circumstances, and that some Member States cannot meet their obligations on time due to technicalities of their national budgetary processes. But I beg to differ with any assertion that the difficult financial situation of the United Nations was caused in part by the current method of assessment. My delegation firmly believes that the feeling that the present scale of assessments is not equitable is no excuse for not meeting one's Charter obligations. All Member States have the opportunity to discuss the scale before it is put into effect. Therefore, once the whole membership has accepted it, we must abide by it.

While we are on the subject of the scale of assessments, my delegation wishes to reiterate once again its firmly held view that assessments for peace-keeping operations should continue to be based on the special ad hoc scale adopted by the General Assembly in its resolution 3101 (XXVIII). In fact, we have called for the special ad hoc scale to be institutionalized. This is because my delegation fully subscribes to the basic principles for the apportionment of peace-keeping expenses — in particular, the principle that the permanent members of the Security Council, having privileged positions, must bear a special responsibility and a greater share of the total costs.

The end of the cold war has not brought the peace dividend we had all hoped for. In the past few years many conflicts, particularly intra-State conflicts, have arisen, and the United Nations has been called upon to deal with them. This has placed an unforeseen and undue burden on the Organization. The recent dramatic increase in calls for the United Nations to undertake peace-keeping and other operations and the expanded scope of mission mandates require enormous financial and human resources. The choice is simple. As the Foreign Minister of Singapore pointed out in the general debate on 30 September,

> "having decided to launch a peace-keeping operation, Member States cannot allow it to fail, especially owing to a lack of resources." (*Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 13th meeting, p. 15*)

However, if Member States are either unable or unwilling to support peace-keeping operations by providing them with the requisite resources, then should we consider limiting the Organization's peace-keeping activities to the level of financial resources Member States are able and willing to provide? Maybe it is time Member States seriously discussed and determined what the Organization's role should be. This is of course a political decision and, in this context, the Security Council has a special responsibility and, indeed, a critical role to play.

My delegation shares the Secretary-General's sentiment that there is an urgent need to overcome the critical financial situation of the United Nations, and that the problem has assumed a proportion which undermines the effectiveness of the Organization as a whole. We agree with his observation that this is no longer simply a financial question but an urgent political question. As the commemoration of the fiftieth anniversary of the United Nations is fast approaching, let all of us rededicate ourselves to the purposes and principles of the Charter and the aims of the founding fathers to create a better world. Paying up all our outstanding dues and arrears is a necessary first step in this quest. Thailand, for its part, will continue to do its utmost to meet its Charter obligation. We will continue to cooperate fully with other delegations in our search for the solutions to this most intractable problem.

Mrs. Flores (Uruguay) *(interpretation from Spanish)*: At the outset, my delegation would like to thank the President for having convened these meetings to consider agenda item 10, "Report of the Secretary-General on the work of the Organization". Uruguay considers that this discussion in the General Assembly will provide Member States with an interesting opportunity to exchange views on the financial situation of the Organization.

Our delegation shares the concerns expressed by those who consider it necessary first to identify the causes of the problem, and then to seek solutions and decide how to deal with the situation. The decisions that are adopted must be agreed by consensus, in view of the importance and sensitivity of this item.

Since assessments are proportionate to the capacity of States to pay, the impact of the contributions is the same on all national economies, whatever the size or the amount of the contribution. This is particularly valid in States with small populations and limited resources and with needs such as those that characterize the situation in developing countries. There should be an ongoing, broad consideration of financial questions, in which there should be the greatest possible participation.

As a member of the Group of 77, our delegation also supports in every particular the statement made by the Group's Chairman on behalf of all its members.

The mandate that the General Assembly has given the Committee on Contributions in resolution 48/223 C, in which it is requested to undertake a thorough and comprehensive review of all aspects of the scale methodology with a view to making it more stable, simpler and more transparent, as well as resolution 49/19, in which the Assembly established the Ad Hoc Intergovernmental Working Group of Experts to study the implementation of the principle of capacity to pay as the fundamental criterion for determining the scale of assessments governing contributions to the regular budget, are steps in the right direction.

When all these conclusions are available to the Fifth Committee, it will surely be in a position to work in a more informed way, and thus better able to study the financial situation of the United Nations, the causes of the crisis, and the solutions to it.

In this connection, we should continue to streamline the work and try to avoid the simultaneous allocation of items to various working groups or committees which already have mandates and purviews of their own. This will help us avoid the duplication of efforts and enable us to use the limited financial resources available in the best possible way.

The growth of peace-keeping operations from eight missions in mid-1990 with a budget of $600 million to some 29 operations costing more than $3 billion faces the Organization with a new financial reality. None the less, the guidelines for the distribution of the expenditures of the Organization should be maintained, while, without prejudice to the principle of collective responsibility, capacity to pay must be the overriding principle. The economically more developed countries and those with greater resources can make greater contributions, whereas the developing countries, facing a rise in the costs of the United Nations, have a very limited capacity to cover the new, large expenditures.

We must also maintain intact the principles governing the allocation of expenditures of peace-keeping operations, bearing in mind the particular responsibility that must be borne by the permanent members of the Security Council. In this connection, we reiterate the position adopted by the Rio Group and contained in document A/47/232, in paragraph 21 and following paragraphs.

The precarious financial situation not only has an impact on the United Nations as a whole but also entails a new burden and creates an unequal situation among States, in view of the fact that countries contributing troops to peace-keeping operations ultimately cover arrears, and many of those States are developing countries.

Whatever the solution may be, it must take into consideration the Organization's liquidity problems, as no measure will have an impact on the situation if States remain in arrears.

I should like to assure the President of our delegation's full support and cooperation in his efforts to solve the problem before us.

The meeting rose at 1.10 p.m.

United Nations A/49/PV.86

General Assembly
Forty-ninth Session

Official Records

86th Meeting
Monday, 12 December 1994, 3 p.m.
New York

President: Mr. Essy ..... (Côte d'Ivoire)

In the absence of the President, Mr. Piriz-Ballon (Uruguay), Vice-President, took the Chair.

The meeting was called to order at 3.20 p.m.

Agenda item 10 (*continued*)

Report of the Secretary-General on the work of the Organization (A/49/1)

The President (*interpretation from Spanish*): This afternoon, under agenda item 10, "Report of the Secretary-General on the work of the Organization", the General Assembly will continue its debate on the financial situation of the Organization.

Mr. Muthaura (Kenya): I wish to take this opportunity to express my appreciation to the Secretary-General for his elaborate and detailed report in document A/49/1.

May I, at the outset, associate myself with the sentiments expressed by the Chairman of the Group of 77, Ambassador Lamamra of Algeria, on the issue before us.

In his statement to the General Assembly on 12 October 1994, on the subject of ensuring a viable financial base for the Organization, the Secretary-General underscored the perennial problem of financial crises facing the Organization and identified the following factors as some of the major causes of the problem: first, late payments by Member States; secondly, the process of approving peace-keeping budgets; and, thirdly, the method of assessment.

The Kenya delegation agrees with the essence of the Secretary-General's analysis of the situation contained in that statement. The Secretary-General went on to observe that the problem

> "is no longer simply a financial question; it is an urgent political question". (*Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 28th meeting, p. 21*)

He therefore proposed that the matter be given urgent consideration at the highest level and direct consideration by the General Assembly.

I had the privilege to participate in the deliberations of the Friends of the Secretary-General — the so-called F-16 — early this year. That informal group spent considerable time studying in depth the whole question of the financial situation of the United Nations and, in particular, possible changes in the present formula of assessment. There was general agreement in the informal group on the need to find a better-structured and equitable way of determining the United Nations scale of assessment, bearing in mind the fundamental principle of the capacity to pay and the obligation of Member States to pay assessed contributions in full and promptly.

No organization could be expected to operate efficiently without a sound financial basis and programmes which fall within its financial capacity. In the last couple of years the Member States have expanded the activities of the United Nations at an unprecedented rate, particularly in the area of peace-keeping, to the

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extent that the gap between the available budgetary resources and commitments has widened to a crisis level. Consequently, the Secretary-General has requested the General Assembly to address the problem as an urgent political question which should be resolved to ensure the effectiveness and credibility of the Organization.

We agree with the Secretary-General on the urgency of resolving the financial crisis through a detailed review of the current assessment criteria and other related issues. The review may require reform of the current assessment formula for both the regular and the peace-keeping budgets. A detailed and objective technical review of the assessment criteria will of necessity facilitate the political decisions required of the General Assembly. At the same time, political guidelines are required of the General Assembly to ensure that technical work is based on clear terms of reference for timely and substantive review. On the other hand, the review must be undertaken within an environment of political will if it is to achieve its objective.

In this connection, we wish to point out that any action which may be taken on this matter must take into account General Assembly resolution 48/223, which reaffirmed that Member States' capacity to pay is the fundamental criterion for determining the scale of assessments. The Committee on Contributions has also spent considerable time examining this issue.

The conclusion which can be drawn at this stage is that this is a complex and technical issue for which there are no easy solutions. While there is a ceiling for the rate of assessed contributions for individual Member States in regard to the regular budget, there is no percentage limit for the peace-keeping budget. There may also be a need to set up a percentage limit for the assessed contributions for the peace-keeping budget, which should include an appropriate surcharge for the permanent members of the Security Council, in accordance with the relevant resolution of the General Assembly. It is logical to assume that the percentage ceiling for the assessed contributions of a permanent member of the Security Council in regard to the peace-keeping budget would be above the 25 per cent limit for the regular budget.

In the recent past the peace-keeping budget has experienced serious weaknesses that are clearly highlighted in the Secretary-General's statement. Currently the budgetary process is undertaken on a piecemeal and ad hoc basis, in disregard of the emergency aspect of peace-keeping activities. The result has been United Nations interventions that are too late and inadequate, even in situations like that in Rwanda, where timely and adequate United Nations intervention would have saved thousands of lives. Therefore, the need for a substantial peace-keeping reserve fund cannot be overemphasized. The current fund of $150 million is too little and is permanently overdrawn.

In addition to the reserve fund, there is a strong case for annual estimates of peace-keeping budgets to facilitate national budgetary approvals, as opposed to the current system, under which many Member States make appropriations in their national budgets for United Nations peace-keeping operations in arrears. The Member States could then be in a position to make such funds available as the assessments are made for individual peace-keeping operations. The problem of reimbursement of expenses to troop-contributing countries would also be eased accordingly.

Member States should share the burden of the United Nations budget according to their ability and on an equitable basis. The assessment formula should be simple, easy to apply and objectively reflective of the capacity to pay. The formula should have inbuilt automaticity for regular adjustments of the capacity to pay to take into account the relative changes in the capacities of individual Member States. A technically objective criterion based on verifiable statistics is likely to command consensus more easily. In that regard, the formula of assessment proposed by the F-16, based on a country's share of world income with a uniform discount rate for the countries with less than the average per capita income and a surcharge for the permanent members of the Security Council in the case of the peace-keeping budget, warrants serious consideration.

We believe that a political solution to the problem is not enough; there must be technical and objective justification for such a solution. Whereas political or high-level approaches can be taken, a lasting solution to the problem must, of necessity, be technical and objective. The approaches must take into account that the Fifth Committee is the Main Committee of the General Assembly that is given the competence and responsibility to analyse the administrative and financial matters of the Organization.

In this regard, we welcome resolution 49/19, recently adopted by the General Assembly, which established an intergovernmental working group of 25 experts to study and examine all aspects of the implementation of the principle of capacity to pay as the fundamental criterion in determining the scale of assessments for contributions to the regular budget. That

group is expected to submit its report to the General Assembly not later than 15 May 1995 in order to permit the Committee on Contributions to take it into consideration in its deliberations.

I wish to emphasize that whatever steps or decisions the Assembly may wish to take must be consistent with the processes that are already ongoing in both the Fifth Committee and the Committee on Contributions.

With regard to the peace-keeping budget, we welcome the proposals that have been made by the Secretary-General on agenda item 132, now before the Fifth Committee. We hope that the informal consultations under way in that Committee will be able to come up with workable solutions to this outstanding problem.

In conclusion, whereas the question of the scale of assessments needs to be addressed, the cash-flow problems of the Organization will never be solved unless Member States pay their assessed contributions in full and on time. This, indeed, is the most fundamental problem. If Member States do not take their obligations seriously, any formula that may be agreed upon, however equitable it may be, will not be a solution to the cash-flow problem. When all is said and done, this seemingly simple problem remains the most serious bottleneck, one whose elimination is entirely dependent on the will of Member States. In this regard we wish to emphasize that it is a Charter obligation that decisions relating to the United Nations budget should be a collective responsibility of Member States. Thus, any unilateral actions in this regard would compound the problem before us.

Mr. Elaraby (Egypt) (*interpretation from Arabic*): The delegation of Egypt wishes to begin its statement by thanking the President for affording Member States the opportunity to consult on the ways and means of achieving financial stability for the United Nations in order for it to be able to shoulder the important tasks entrusted to it in the post-cold-war era.

My delegation also commends the Secretary-General's unremitting efforts to alert the Member States to the United Nations financial difficulties and to urge them to continue to seek an urgent solution that would provide the resources the Organization stands in need of if it is to continue to achieve its objectives and to carry out the programmes approved by Member States.

Ambassador Ramtane Lamamra, the Permanent Representative of Algeria, made a statement this morning on behalf of the Group of 77 and China in which he clearly stated the Group's position and its view of the dimensions of the situation now facing us and how we might deal with it collectively. Egypt's delegation shares the view expressed by the Ambassador of Algeria, namely, that it will not be possible to realize the hopes we set on the United Nations unless a solid financial foundation and consistently flowing resources are provided for the Organization so that it may continue to be active and not to be stalled and rendered immobile, as is the case at present due to the lack of resources and failure by the major contributors to pay their contributions regularly contrary to the letter and spirit of Article 17 of the Charter.

We are also in full agreement with the statement by the Chairman of the Group of 77 that the efforts which are being made to improve the performance of the Organization and to modernize its working methods in order for it to be able to rise to the challenges of the twenty-first century will falter and that such faltering will take us back to square one unless all Member States pay their full assessed contributions on time and without any preconditions.

The General Assembly's current discussion of this issue affords all Member States the opportunity of stating that they intend to pay the arrears owed by them in full before the fiftieth anniversary of the founding of the United Nations. Let us all undertake, in a joint declaration to the world, to continue to support the Organization and to enable it to implement our collective will in support of the international solidarity and cooperation upon which international relations in our present-day world are founded.

Member States, including Egypt, have spoken, on numerous occasions, of the importance of supporting the United Nations by every means and of strengthening its role, given the fact that successive international developments have demonstrated the clear and abiding link between peace, stability and development. International stability cannot be achieved in the absence of balanced and sustainable development. Structural imbalances in international economic relations will continue to foment social unrest, disturbances and social conflicts that can turn into disputes which threaten international peace and security.

The United Nations, in our view, is the only forum that is capable of dealing comprehensively with such vital issues. Therefore, we must support the Organization politically and financially so that it may perform the role we expect it to play, especially that the international

community now has a historic opportunity to demonstrate clearly that peace, stability, democracy, human rights and respect for the national sovereignty of all States are indeed the cornerstones of the international political and economic order.

Regardless of some economic difficulties, Egypt pays its financial contributions to the United Nations in full. We take pride in the fact that we are one of the countries that are not in any way in arrears with regard to their contributions to the Organization. We are confident that if all States had the political will, we could solve the cash-flow problem facing the United Nations in a very short time indeed.

My delegation welcomes dialogue in the framework of the General Assembly's Fifth Committee in trying to find a solution to the Organization's cash-flow problem. In this connection, we find that a well thought-out, agreed and gradual reform will be better, by far, than a hasty decision that could satisfy some but would not necessarily reflect the views of the majority of Member States, which set great hopes on an enhanced role for the United Nations and on its ability to respond positively to new developments.

Before concluding, I should like to reiterate Egypt's readiness to cooperate with the President in his endeavours. I should like also to repeat to him our personal gratification at seeing him presiding over the Working Group that will be formed within the Fifth Committee to examine this problem and voice our confidence in his sagacity which is the source of pride for every African.

Mr. Tejera-París (Venezuela) (*interpretation from Spanish*): The delegation of Venezuela thanks the Secretary-General for his statement on the financial difficulties facing the Organization. We studied with great interest that statement to the Assembly on 12 October and the annexed document distributed then.

As new economic and social priorities are set, Venezuela favours strict compliance with the policy of zero growth in the Organization's regular budget. As we assess more realistically the effectiveness of the policies adopted to date in this phase of peace-keeping operations and as the Security Council is being reformed, Venezuela is in favour of maintaining and institutionalizing the existing special scale of assessments that exists for these purposes.

It is premature to conclude that the Organization lacks a viable financial base. On the other hand, what does seem to require careful thought is the question of determining reasonable limits on the Organization's capacity for action. We believe that this is an ongoing process and that it will not be easy to reach definitive conclusions. However, any progress made in the budgetary, financial or administrative areas should be based on consensus on the most realistic ways of fulfilling the Charter's mandates.

Everyone knows that the Organization has had serious difficulties in the onerous and difficult field of peace-keeping operations, whose costs and results give rise to increasingly serious reservations. Everyone knows, too, that the Organization must set itself a clear course in the economic and social field and that the institutional reforms being pursued have yet to address the heart of the problem. We therefore share in the current tendency to review these facets of the Organization's life in depth and to give them a political dimension, including at the highest level. The fiftieth anniversary will be a unique opportunity to do this.

With respect to what the Secretary-General has described as late payment, there are two extreme situations. One is the reasonable position of countries which, because of their economic situation and their increased obligations within the framework of the Organization, experience short-term difficulties in keeping up-to-date with their commitments. The other, more questionable situation is that of countries which, for reasons of their policy towards the Organization, not only withhold payment but also place conditions on it. The latter approach, we believe, has not been duly recognized in the Secretary-General's diagnosis. The distortions consequent upon that approach are unquestionably serious. No country is happy to find itself becoming a source of funding to make up for the arrears of others; no country is encouraged to remain current in the absence of serious progress by some of the major contributors. The Organization suffers the consequences, and its credibility is undermined.

Venezuela favours reviewing the Organization's administration and making whatever improvements are necessary. Our interest stems not only from our responsibility as a Member State, but also from being one of those contributors which bear a heavier burden than their status as developing countries with serious short-term problems merits. Until we resolve the question of payments arriving late for reasons of political strategy, the discussion of so-called structural impediments and possible solutions is unlikely to produce results. Charging interest on late payment, or granting authority for the Organization to take on debt, should be considered, but for now we have serious questions about either option.

We believe that it would not be right to increase income available for spending on the assumption that the system for the assessment of contributions is imbalanced. The methodology which the Organization has developed through its competent bodies for the scale of assessments for the regular budget and peace-keeping operations is not the root cause of the cash-flow or capital-base problems. An approach on that basis is all the more disquieting since any reform would result in shifting the burden to medium-income countries, thus further distorting the fairness of the scales and jeopardizing their stability.

In the short term, the problems of the capital base and cash flow are not linked to the issue of the scale of assessments. We have supported, as an initial step, a study in greater depth of the idea of measuring the real capacity to pay, with a view to setting fair parameters consonant with the real situation of every State. We also support an analysis of the effectiveness of decision-making processes and an evaluation of the results of peace-keeping operations, whose costs need to be substantially reduced on the basis of established political requirements, more stringent operational guidelines and a limit on the number of operational fronts.

Venezuela agrees with the Secretary-General that the financial crisis has an important political component. The quest for solutions requires an objective debate, political and technical, within the most appropriate bodies of our Organization both on the scope of the obligations which the Organization may assume and on the most appropriate ways of fulfilling them. We need to strike a more reasonable balance. The Organization runs the risk of overextending itself if it continues to attempt to solve everything at once. The problems of the financial base are merely the first symptom that the desirable and the possible are out of step at this stage of the life of our Organization.

Mr. Owada (Japan): First of all, I should like to express my delegation's appreciation to the President for providing Member States with an opportunity to express their views on the serious financial situation that the Organization is currently facing and to discuss effective ways and means for ensuring a viable financial base for the United Nations. The statement that the Secretary-General made to the General Assembly on 12 October 1994 has already drawn the Assembly's attention to the seriousness of the situation that we are now faced with. My delegation shares the sense of crisis as expressed by the Secretary-General in his report and earnestly hopes that this opportunity will enable Member States to gain a deeper understanding of the nature of the issues involved and to face squarely the problem of how to arrive at an effective solution to what is probably the single most important problem that the Organization faces today.

The international community expects, and even demands, that the United Nations play a vastly expanded role in world affairs today. Its peace-keeping operations, for example, have been making a unique and invaluable contribution to world peace and security in the confused world of the post-cold-war period. In order for the United Nations to be able to meet the expectations of the international community, however, it is essential that the Organization should have a sound and viable financial base. Unfortunately, we must admit in all frankness that the financial base of the Organization is quite precarious at present.

The problem of the financial difficulties faced by the Organization is extremely serious. Every year in the fall there is a financial crisis in cash flow, forcing the Secretary-General to issue an urgent request to Member States to pay without delay their dues on the regular and peace-keeping budgets. I note with great concern in particular that the Secretary-General in his report points to the fact that the pattern of payments of Member States has recently worsened as a growing number of countries either are late in their payments or are accumulating arrears. Surely these developments will only make the financial condition of the Organization worse.

The contributions that are received from Member States provide the financial foundation for all activities of the United Nations. Thus the viability and effectiveness of the Organization are dependent almost entirely on timely and full payment of the assessed contribution of the Member States. While we must guard against an uncontrolled expansion of the budget and strive to utilize resources as effectively and efficiently as possible, it is inevitable as well as undeniable that the Organization, as the nucleus of international cooperation for the maintenance of international peace and security and for the promotion of prosperity and the welfare of the world, will have to be engaged more actively in increasingly wider fields. The peace-keeping operations of the United Nations, as an invaluable means for keeping peace in the precarious conditions of the post-cold-war transition in different regions of the world, is expected to expand its scope of operation and to intensify its efforts to contain conflicts. In this setting, fulfilment by every Member State of its financial obligation is a *sine qua non* for the effective functioning of the Organization. Our responsibility in this regard is both individual and collective. The Government of Japan takes this responsibility most seriously, and intends to fulfil its

financial obligations to the full. I should like to take this opportunity to call upon all other Member States to do likewise.

I should like now to comment on the urgent necessity to improve the methodology for determining the scale of assessments. While my delegation believes that, as far as the scale of assessments for the years 1995 to 1997 is concerned, we should honour the recommendation of the Committee on Contributions to maintain the credibility of this important Committee, a fundamental review is needed at this juncture so that a new methodology based on a more faithful reflection of the principle of fairness and equity may be devised. Needless to say, a financial contribution to support the activities of the Organization is a painful burden for any Member State to share, but in view of the vital importance of this burden sharing each Member State should be prepared to accept a system of fair and equitable sharing of the financial burden, rejecting an approach that promotes or protects each country's own narrow interests.

It goes without saying that arriving at a methodology that can be accepted as fair and equitable by all Member States will by no means be easy. My delegation is at least encouraged by the trend in the Assembly, where so many delegations have expressed serious concern over the present financial situation of the Organization. This concern was already manifested in the adoption of resolution 48/223, which instructed the Committee on Contributions to review the current methodology. Under resolution 49/19, an Ad Hoc Intergovernmental Working Group of Experts has been created with a mandate to study and examine all aspects of the implementation of the principle of capacity to pay in determining the scale of assessments. My delegation earnestly hopes that this Ad Hoc Working Group will arrive at a fruitful and constructive conclusion to help expedite our work for overcoming this gigantic task we face.

The problem of how to finance the peace-keeping operations of the United Nations is becoming more and more serious to the extent that the operations have been increasing so rapidly, both in number and in complexity, in recent years. While we should accept the fact that such an increase is only to be expected and not to be avoided, all operations should be carefully scrutinized both at the time of their establishment and at the time of their extension. On the other hand, once the decision is taken to engage in an operation, Member States are collectively responsible for the resulting costs. There is a movement on the part of some Member States to review the methodology for the scale of allocation of these costs for peace-keeping operations. My delegation agrees that we should be able to review the whole process to develop a system that will be fairer and more equitable than the present system. In approaching this problem of allocation of the financial cost of peace-keeping operations, all ingredient factors relevant to the calculation of the scale of assessments for peace-keeping operations will have to be fully explored and examined, including the size of the gross national product, the question of floor and ceiling, and the status and responsibilities of respective Member States. In this regard, it would be natural to expect the permanent members of the Security Council, which play a major role in the process of launching a peace-keeping operation, to continue to bear a special financial burden commensurate with its special status.

These are a few of the comments of a general nature, on the part of my delegation at this stage. Japan supports the establishment of a working group to explore and examine in greater depth those relevant factors, some of which I have touched upon in this preliminary intervention. Given the fact that this issue is going to be of great political importance, requiring eventually a decision at a high political level by each Government, the discussion of this problem should be coordinated at a high level. At the same time, however, in light of the technical nature of the problem, contributions from financial and technical experts will be very much needed. It is important, in particular, that every effort be made to avoid politicization of this debate. As long as these two requirements are met, my delegation is open-minded about the modalities of the working group.

My delegation is ready to offer its full cooperation in working with other delegations in our common search for a satisfactory resolution of the financial difficulties of the Organization, including the problem of improvement of the methodology for determining the scale of assessments. It looks forward to contributing to the discussion that will follow this general debate. My delegation has little doubt that, with the able leadership of the President of the Assembly and with our united political will to join forces to overcome the crisis of the Organization, we shall be able to accomplish our mission to resolve this difficult issue afflicting the Organization at this critical and challenging moment.

Mr. Chew (Singapore): I wish to thank the President for the opportunity provided to us to discuss the financial crisis of the Organization.

The perennial financial crisis of this Organization again compelled the Secretary-General, before the General Assembly, on 12 October 1994, to plead with

Member States on the need for a solution. In his address to the forty-ninth session of the General Assembly about two months ago, my Minister for Foreign Affairs, Mr. S. Jayakumar, focused on this very theme. All Member States, I am sure, share the Secretary-General's grave concern that this serious problem should be addressed quickly.

The Secretary-General has identified one cause of the financial crisis — late payments by Member States of their assessed contributions. We firmly believe that this is the fundamental cause of the crisis. If Member States pay in full and on time, many of the present financial difficulties identified by the Secretary-General could well be resolved quickly. With available funds, the cash-flow problems of the Organization, such as arrears owed to troop and equipment contributors, debts to vendors and suppliers, and the holding back of budgetary surpluses due to Member States, would no longer exist. We would also not have a cash reserve problem. The Working Capital Fund and the Peace-keeping Reserve Fund would be replenished and could therefore serve the purposes originally envisaged.

Full and timely contributions of Member States to the United Nations is a Charter obligation binding on all Member States of the United Nations. All Member States must unconditionally pay their contributions to the United Nations. In particular, permanent members of the Security Council should not be in arrears both in regular and peace-keeping contributions. As my Minister noted however, this is, unfortunately, by now a tired mantra. What we really need to do is to consider seriously how to develop a system whereby Member States will be encouraged to pay their contributions in full and on time. One possibility is to charge interest on late payments, with special consideration being given to the least developed countries. The experience of a number of multilateral organizations which have adopted this system of charging interest on late payments has been encouraging.

The other issue raised by the Secretary-General is the methods of assessing contributions. We do not think that there is a major problem in the methods of assessment of Member States' contributions. Certainly, there might be room for improvement, but this should not distract us from the root cause of the financial crisis, namely the failure of Member States to pay in full and on time. In any case, the technical aspects of how to improve the methods of assessment are issues the Committee on Contributions has already been mandated to consider. We also created a high-level group of experts last month to examine how better to measure the capacity of Member States to pay. The discussions of these groups should be sufficient to show up any shortcomings in the present systems of assessment. Nevertheless, Singapore is ready to strive, together with other Member States and the Secretary-General, to work out objective economic and political criteria to improve the scale of assessment if this proves to be necessary — and I stress, if this proves to be necessary.

In his statement, the Secretary-General appeared to suggest that the principle of capacity to pay should be based on a Member State's "per capita resources". This, we believe, is not quite accurate. Since its inception, the United Nations has consistently used gross national income as the primary basis to calculate capacity to pay. Let me refer members to the report of the United Nations Preparatory Commission in San Francisco, 1946. Chapter IX, Section 2, paragraph 13 of the report reads:

> "The expenses of the United Nations should be apportioned broadly according to capacity to pay. It is, however, difficult to measure such capacity to pay merely by statistical means, and impossible to arrive at any definite formula. Comparative estimates of national income would appear *prima facie* to be the fairest guide."

In resolution 14 (I) of 1946, Member States adopted this paragraph as the basis for the collection of funds and appointed the Committee on Contributions to prepare a scale of apportionment based on the paragraph I have just quoted. Since then, the General Assembly and the Committee on Contributions have consistently endorsed gross national income as the best and most equitable criterion. It is only after this fundamental criterion has been used that other factors are applied in the methodology of the scale of assessment.

However, the paper accompanying the Secretary-General's statement of 12 October 1994 correctly acknowledges that gross national income is the main element in the current methodology of the regular budget. Based on this fact, my delegation has concluded that the reference to "per capita resources" must have been an inadvertent error on the part of the drafters of the Secretary-General's statement.

The Preparatory Committee wisely did not use per capita national income to determine Member States' contributions because of the problems associated with this concept. There are many reasons not to do so. I have listed a few of them, but in the interests of time I will not read them out as they are already contained in my written statement.

The United Nations and its Member States have consistently and explicitly rejected the use of per capita gross national product as a primary criterion to determine a Member State's capacity to pay. There are several examples. First, the Secretary-General in his report A/47/414, asserted that

> "There are a number of well-known deficiencies of GNP per capita as an indicator of economic well-being and performance". *(para. 10)*

Secondly, the Joint Inspection Unit report JIU/REP/93/4, discussed in the annex to document A/49/424/Add.1, confirmed the same view.

Singapore, like many small States, needs an efficient and effective United Nations to help maintain a stable, free and harmonious international environment. We therefore strive to conduct ourselves in a responsible and constructive manner in the United Nations. In an effort to do this, Singapore, like other small States, consistently endeavours to pay its United Nations dues in full and on time. This is in spite of the fact that small States, because of their inherent constraints, are often inhibited from playing an active role in the United Nations and are seldom represented in the main and subsidiary bodies of the Organization.

To summarize, we are convinced that to resolve the financial crisis we need, first, to implement firmly, once and for all, a system to encourage Member States to pay their contributions in full and on time. Secondly, we must ensure that the permanent Members of the Security Council continue to bear a greater burden of the cost of peace-keeping. Thirdly, all Member States should pay up their arrears to the United Nations by the fiftieth anniversary of the Organization next year. Fourthly, if — and I stress "if" — we are to review the present methods of assessing the contributions of Member States, only a systematic and comprehensive approach based upon objective criteria accepted and agreed to by all will work.

My delegation will cooperate fully in resolving this very complicated and important problem facing our Organization.

Mr. Karsgaard (Canada): My delegation is pleased to have this opportunity to address the Assembly on a matter of pressing importance: the critical financial situation of the Organization.

We are compelled to agree with the stark assessment presented to the Assembly by the Secretary-General in his statement of 12 October. The problem has assumed such proportions as to undermine the effectiveness of the Organization as a whole. The causes are not difficult to discern. The Secretary-General has clearly identified them as late payment of contributions, limited cash reserves, and the method of assessing contributions of Member States. These problems have been magnified by the enormous growth of peace-keeping costs in recent years.

As Canada's Minister of Foreign Affairs, the Honourable André Ouellet, said in his statement during the general debate in September,

> "the United Nations can fulfil the mandates we give it only to the extent that its Member States meet their financial obligations and contribute generously to its voluntary funds. ...
>
> "Reviewing the scale of assessments is always a perilous undertaking, but ... the need to do so has become urgent". *(Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 10th meeting, p. 13)*

Canada is fully convinced of the urgency and importance of ensuring a viable financial basis for the Organization. We fully support the goals of eliminating the arrears owed by Member States, of strengthening cash flow, and of putting in place equitable arrangements for funding the regular and peace-keeping budgets. Canada fully supports the establishment of an open-ended working group to deal with these matters on an urgent basis. I wish to assure the Assembly that Canada will play a full, active and constructive role in the work of the group.

My Government believes that the most serious financial problem facing the Organization is arrears: the failure of Member States to pay their assessed contributions in full, on time, and without conditions. No attempt to address the issues of cash flow or the method of assessment can be successful unless the problem of arrears is solved. The practice of delaying or withholding payment of assessed contributions is unfortunately widespread. Some Member States are genuinely unable to pay; many are unwilling; and some even decide to withhold payments as a matter of policy, an action that has no legitimacy in Charter terms. It is worth reiterating that the Charter is equally binding on every Member State: it does not give Members the option of deciding unilaterally, on a selective basis, whether or not to comply.

The magnitude and pervasiveness of the problem of arrears has led us to devote some thought to the question of how Member States might be persuaded to honour their obligation to pay assessed contributions in full and on time — whether by incentives for prompt payment, or by penalties for late payment. Some such measures could be financial, for example discounts for those who pay early and interest charges for those who pay late. Other disincentives include restricting a defaulting Member's right to stand for election.

We should also, however, consider means of making the burden of contribution easier for Member States to bear. In many cases, it might be possible for Member States to improve their payment performance if regular budget assessments were divided into periodic instalments. Regarding peace-keeping assessments, which now amount to roughly three times the regular budget, it would undoubtedly alleviate the burden if assessments were put on a more regular and predictable basis. This would be one benefit of the proposals that have been advanced regarding annualized and combined peace-keeping budgets.

We should also review current procedures regarding the distribution of budgetary surpluses to Member States. Canada believes that it would be entirely appropriate for such surpluses to be set off against the arrears of Member States or held in suspense until those arrears are paid. Only when a State is current with respect to its financial obligations should it receive a refund or a credit against its next assessment. This would be one way of helping to ensure that all Member States eventually pay their full share. The Organization is disproportionately reliant on those Members who pay in full and on time; it needs to find new ways of shifting some of the burden back to those who pay late.

The Secretary-General has also referred to the problem of depleted cash reserves. To a large extent, this problem is caused by arrears. At the risk of stating the obvious, there would be no cash-flow problem if all or most Member States were current with respect to their financial obligations.

Increasing the authorized levels of the Working Capital Fund or the peace-keeping reserve fund would not in itself solve the problem. Increased assessments would be needed to replenish the funds at their new levels, and these assessments would still be subject to the problem of arrears. In other words, merely increasing the authorized level of a fund does nothing to increase the amount of money in the fund.

(spoke in French)

One of the most important and sensitive issues before us is that of the scale of assessments and the methodology used to establish it. As the Secretary-General has quite rightly pointed out, the credibility of the scheme of assessment is of key importance, and some Member States have expressed strong doubts as to whether the existing scale of assessments is equitable.

Only last year, the Assembly reaffirmed the principle of capacity to pay as the fundamental criterion for determining the scale of assessments. Only a few weeks ago, we agreed to establish an ad hoc intergovernmental working group of experts to study the implementation of that principle.

The existing scale methodology continues to be based on the principle of capacity to pay. Over the years, however, a number of elements have been added that distort the implementation of that principle. Developments of the last few years, with the appearance of many new countries with economies in transition, have shown how serious some of those distortions have become.

I will not seek to analyse all distorting elements which have, over the years, attached themselves to the scale of assessments. There are many, and the issues involved are highly technical. I would, however, briefly note the following. The scheme of limits, until it is completely phased out, will continue to cause a number of countries to be seriously over-assessed. A better way needs to be found of dealing with exchange rates, and especially with large, rapid movements in exchange rates. A better way needs to be found also for taking account of external debt, and for applying the low per capita income allowance.

We also wish to draw attention to the serious distortions created by maximum and minimum — ceiling and floor — assessment rates. The floor rate requires some of this Organization's smallest and least wealthy Members to pay up to 10 times what they otherwise would. The ceiling rate, on the other hand, confers on the largest and wealthiest a benefit which must be subsidized by other Members of the Organization. It also results in the burden of the relief granted to developing countries under the existing scale methodology being borne entirely by developed countries other than those at the maximum.

(spoke in English)

Particular attention should be paid to the problem of contributions to the funding of peace-keeping operations. These costs have risen to a level approximately three times that of the regular budget. Canada fully agrees with the principle that permanent members of the Security Council bear a special responsibility for the maintenance of international peace and security, and that this responsibility extends to the funding of peace-keeping operations.

We recognize, however, that there are a number of anomalies in the current arrangements. The four-group system should be carefully reviewed with a view to simplifying it. A number of the wealthier developing countries or newly industrialized countries could begin to contribute to peace-keeping at the same rate of assessment as they do for the regular budget. So, indeed, could some of the developed countries which do not already do so. Economic growth results in increasing capacity to pay, and carries with it increasing responsibility.

Some countries seek the additional and grave responsibility of permanent membership of the Security Council. Some of these, it must be noted, benefit from the elements which distort the present scale of assessments. An immediate effort on their part to join us in removing the distortions which benefit them would be an earnest of their seriousness in assuming their responsibilities as members of the Council.

As a major troop contributor, Canada already bears peace-keeping costs well in excess of its proportionate national income or its rate of assessment. The Organization's reimbursements to troop contributors cover only a fraction of our costs of providing troops and equipment. We could not therefore support any increase in the rates of assessment of countries that already contribute to peace-keeping at the same rate as they do to the regular budget.

The original guidelines regarding the apportionment of the Organization's expenses warned of the need to guard against two opposing tendencies: the desire of some Members unduly to minimize their contributions, and the desire of others to increase their contributions "for reasons of prestige".

If the latter observation now seems quaint, that is a measure of how much times have changed in the past 50 years. The former tendency, however, is still very much with us, and is the principal cause of our present difficulties. Most Member States, whether by delaying or withholding payments, or by seeking to reduce their rates of assessment, try to minimize their contributions.

That is what has caused the problems described to us by the Secretary-General, and it is to deal with those problems that this session of the Assembly will consider establishing an open-ended working group. We believe that the working group should attempt to deal with all the issues raised by the Secretary-General; it should attempt to deal comprehensively with the financial situation of the Organization, in particular with arrears, the process for financing peace-keeping operations, and the method of assessment for both regular and peace-keeping assessments. We also believe that the working group should make every effort to complete its work during this General Assembly session.

It should also be taken into account that other regular and ad hoc bodies are dealing with various aspects of the problem. The new Assembly working group should also take their findings into account.

Mr. Wibisono (Indonesia): Allow me at the outset to join previous speakers in expressing our sincere appreciation to the Secretary-General for his insightful and lucid statement delivered earlier, and to associate my delegation with the statement of the Permanent Representative of Algeria, which was delivered on behalf of the Group of 77.

The issue now before us has become a perennial one that has continued to defy all attempts to resolve the financial crisis of the United Nations. Since the end of the cold war, the United Nations has regained its mandated role in international relations, and so has also been continually asked to tackle an increasing number of challenges and tasks, creating, in the words of the Secretary-General, overwhelming financial demands.

Among these challenges, the maintenance of international peace and security, the promotion of international cooperation for solving economic, social, cultural and humanitarian problems, as well as the advancement of human rights and the attainment of higher standards of living in larger freedom for all, loom particularly large. However, the unprecedented financial crisis not only threatens to destroy the hopes and aspirations invested in the Organization by the Member States but also critically to weaken its ability efficiently to carry out its mandate and greatly to endanger its very survival. My delegation therefore shares the deep concern of the Secretary-General over the difficult financial situation in which the United Nations has found itself.

To meet such challenges and purposes effectively, there is an imperative need to put the Organization on a more stable and assured financial basis. I am convinced that much of the current situation is derived from the non-fulfilment by Member States, and in particular by some of the major contributors, of their Charter obligations to pay their assessed contributions unconditionally, in full and on time.

According to the Secretary-General, in his report on the work of the Organization, as at 15 August 1994 Member States owed $835 million to the regular budget and $2.6 billion for peace-keeping operations, including amounts unpaid in prior years. We agree with the Secretary-General that apart from the late payment of assessed contributions, the process of approving peace-keeping budgets and appropriations aggravates the situation. Likewise, limited cash reserves, which are currently virtually depleted, are a fundamental part of the problem. Obviously, this Organization cannot fulfil its broad-ranging mission without correcting these fundamental problems and providing adequate and stable resources. Our challenge is, therefore, to restore a sufficient cash flow to ensure a viable financial base for the United Nations.

As we see it, the only means of ensuring a definitive solution to the persistent financial crisis is for Member States fully to abide by their obligation, as set out in the Charter, to pay their assessed contributions on time and in full. Thus, to restore a sufficient cash flow should be our first and immediate objective. I believe that the crux of this matter lies in the application of Article 19 of the Charter of the United Nations. This Article points out that if the amount of a Member State's arrears equals or exceeds the amount of the contributions due from it for the preceding two full years, then that Member cannot vote unless the General Assembly is satisfied that its failure to pay is beyond its control.

It has never been the intention of Article 19 to enable Members to remain two and even three years behind in their payments before being considered in arrears. Some countries, however, take advantage of the two-year leeway — and sometimes their tardiness is deliberate and even politically motivated, which can constitute a form of conditionality. Without seeking to amend Article 19, we should ensure that it is fully understood, discussed and given a clear and common interpretation. It is therefore important that the current application of Article 19 be reviewed and that the term "arrears" be redefined and made specific.

It is also recognized that the proper functioning of peace-keeping operations is intimately linked to the availability of financial resources. The financing of peace-keeping operations is the special responsibility of the permanent members of the Security Council. It should be recalled that various General Assembly resolutions, particularly resolution 1974 (S-IV) of 27 June 1963 and 3101 (XXVIII) of 11 December 1973 have recognized that such operations require a different procedure from that relating to the Organization's regular budget.

Given the increased recognition of the indivisibility of peace and security and development, we believe it important that a balance be struck between the expenditures on peace-keeping operations and those needed to implement the imperatives of development. Furthermore, in this context, it is understood that the economically more developed countries are in a relatively better position to make larger contributions to achieve this important objective. In this regard, the principle of capacity to pay should be adhered to.

Regarding the proposal to establish the open-ended working group, Indonesia is of the view that the deliberations of this working group should be aimed at finding an overall solution to the current financial crisis and at contributing toward the restoration of the long-term administrative and financial viability of the Organization. Moreover, the discussions of this working group will be the beginning of a reform process, one that should be carried forward by the Member States and the Secretary-General, comprehensively addressing all the various dimensions and complexities of the crisis currently besetting our Organization.

My delegation concurs with the following words used by the Secretary-General in his statement of 12 October 1994:

> "This is no longer simply a financial question; it is an urgent political question". *(Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 28th meeting, p. 21)*

This grave financial crisis can be resolved only when we succeed in dealing with its root causes, particularly in fully carrying out the provisions of Articles 17 and 19. This effort must be accompanied by a renewed commitment of explicit support for the United Nations by all Member States, in accordance with their obligations under the Charter.

In conclusion, I should simply like to add that as we come to celebrate the fiftieth anniversary of the United Nations all Member States should show their commitment to the Organization in tangible form by seeking to become current on their dues and to pay them in full. My delegation also stands ready to join with other Member States in supporting the Secretary-General's efforts to fully solve the financial crisis of our Organization.

Mr. Braithwaite (Australia): Australia welcomes the opportunity to resume our discussion of the Organization's financial situation. There are, in our view, three main issues to be addressed. They are interrelated, but the issues themselves are clear enough. First, Member States should fulfil their international treaty obligations to pay their share of the expenses of the Organization in full and on time. Secondly, the General Assembly must be able to make timely and well-considered decisions on financing, which is not the case at present. And, thirdly, it is time to consider again what constitutes a Member State's fair share of the expenses of the Organization.

On 3 October, in his statement before the General Assembly, the Australian Foreign Minister, Senator Evans, in outlining our concerns about the failure of Member States to fulfil their treaty obligations, said:

> "There is no use talking about reintegrating the United Nations or reshaping its responsibilities unless the resources are there to carry out these responsibilities. The central responsibility of Member States in this respect is to set to rights the Organization's current financial problems. Australia urges, in the strongest terms we can, all Member States to pay their assessed contributions in full and on time as a matter of obligation under the Charter". *(Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 15th meeting, p. 12)*

When Member States ratified the Charter of the United Nations, they agreed to share the expenses of the Organization as the General Assembly apportioned them. They agreed, furthermore, to do so without condition. Member States have also agreed, through a financial regulation they approved, to pay their contributions in full within 30 days of receiving their assessments. It is self-evident that if Member States were to pay their share of the expenses of this Organization in full and on time, we would not suffer the financial crisis that emerges every summer and every autumn.

The impact of the unacceptably high level of unpaid contributions has fallen mostly on the Organization's financial reserves and has lengthened delays in payments of troop-contributor costs.

The absence of adequate financial reserves, in turn, places considerable strain on the Secretariat's ability to deal with the uneven cash flow in the Organization.

So it is not a matter solely of the legal obligation of Member States to meet their contributions promptly and to do so within the periods stipulated in the financial regulations of the Organization. If a substantial proportion of outstanding contributions were to be paid now the level of the Organization's reserves could be restored; the peace-keeping reserve fund fully capitalized; amounts owed to troop-contributing countries fully paid; and budgetary surpluses that have been retained from earlier financial periods repaid to Member States or, preferably, used to permanently increase the levels of the Organization's reserves. This would give the Organization the assured funding base that it requires if it is more effectively and efficiently to carry out the tasks that we assign to it.

It is therefore time for the Assembly to look carefully at the question of strengthening measures to encourage the prompt payment of contributions. We could explore the possibility of charging interest on overdue accounts and payments or of applying Article 19 of the Charter to provide a grace period of only 24 months before the loss of voting rights or the wider publicizing of the lateness of payment by some Member States.

But punitive measures for late payment and even incentives for early payment would be effective and credible only if approved by consensus. In this respect, Australia believes that incentives for early payment, including the possibility of discounts, rather than sanctions for late payment, unless it is so late as to trigger Article 19, should be pursued.

It is unfortunate that these measures should have to be considered. The problem would not arise if Member States were to meet fully their obligations under the Charter.

The second issue that needs to be addressed is the manner in which the General Assembly approves expenditure. The Secretariat, the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee all need to review their working methods to ensure that the General Assembly is able to take timely

and well-considered decisions on financing, especially in the area of peace-keeping.

In particular, there must be predictability in the approval of budgets, and we must get away from the vicious cycle of retroactive budget approval and the accompanying habit of authorizing the commitment of funds without providing the Secretary-General with the necessary means. The process of reform has begun with discussion of the Secretary-General's proposal for a review of peace-keeping budget cycles. But much more needs to be done — and done quickly.

The third issue that needs to be addressed is what constitutes a Member State's fair share of the expenses of the Organization. Australia has long argued that the General Assembly needs to develop a simple and transparent methodology that produces a regular budget scale reflecting national capacity to pay. The only element that can be considered a transparent, equitable measure of capacity to pay is national income. All other elements tend simply to distort that principle.

It is also time to look again at the scale of apportionment of expenses for peace-keeping operations. As the Assembly is reminded each time it adopts a resolution financing a peace-keeping operation, the current scale of apportionment is an ad hoc one developed in 1973. Certain principles of the current ad hoc scale should remain. The scale should bear some relation to the regular budget scale itself. There should be a premium on those permanent members of the Security Council that bear a special responsibility for international peace and security, and the benefits of that premium should be extended to those Member States least able to pay. But in view of world economic growth since 1973 — in particular, the relative decline in the share of that growth of the countries of the Organization for Economic Cooperation and Development — all other elements of the ad hoc scale should be reconsidered.

In conclusion, I want to assure the Assembly that Australia stands ready to contribute to the discussion and resolution of these issues at the earliest opportunity. We must act now to ensure that the fiftieth anniversary of this Organization is an occasion of celebration and renewal and not of despair at our inability to find answers to the financial problems that now exist.

Mr. Baumanis (Latvia): I am speaking on behalf of Estonia, Lithuania and my own country, Latvia.

I should like to thank the Secretary-General for his comprehensive report on the state of the United Nations and for his stewardship of the Organization during a time of expansion and consolidation of its activities.

On 7 November 1994, when the Prime Minister of Latvia addressed the Assembly on behalf of the three Baltic States, he thanked the Secretary-General for his constructive contributions in the area of preventive diplomacy. As we believe that the common interest of Member States in the welfare of the United Nations is best discerned in the long term, my statement today will focus upon some long-term implications and possible solutions to the difficult financial situation of the Organization. The Secretary-General has addressed this subject in paragraphs 101 to 105 of his report, and he went into greater detail in his statement to the General Assembly on 12 October 1994. As we support the establishment of an open-ended working group to deal with the financial situation of the Organization we should like to offer some suggestions for its consideration.

The three delegations for which I speak wish to bring to the attention of the General Assembly certain facts regarding the financial situation of the Organization. At the end of the past month Member States owed slightly more than $2 billion to the United Nations. More than 40 per cent of this amount was owed by a group of 22 Member States — the Baltic States, the countries of the Commonwealth of Independent States and States previously belonging to the former Czechoslovakia and the former Yugoslavia — first identified in the 1993 report of the Committee on Contributions. This group of States is responsible for nearly half of the outstanding contributions for peace-keeping operations, and 16 of the 30 highest-ranking Member States featuring in a list of outstanding contributions to the regular budget belong to it.

In paragraph 3 of resolution 48/223 B the General Assembly has recognized that the current assessment of each of the 22 Member States for the regular budget is problematic. The General Assembly has approved the conclusion of the Committee on Contributions that the current rates for the 22 are transitional and will require considerable adjustment.

In the case of these 22 States, the General Assembly may at its current session decide, for the years 1995-1997, regular budget assessment rates that, for most of them, would continue to be at least double the capacity-to-pay rates established by the Committee on

Contributions. Thus their rates would continue to be of a transitional nature for another three years.

We believe that this long-standing situation of these 22 Member States is one of several reasons for the fact, as noted by the Secretary-General, that Member States have doubts about the fairness of the arrangements for sharing the Organization's expenses. The unfair situation faced by the 22 must be addressed if the financial crisis of the United Nations is to be resolved.

Long-term solutions that are fair to all Member States, whether small or large, need to be sought for all three of the problems noted by the Secretary-General — namely, late payments, limited cash reserves and assessment methodology. These solutions have to be sought in the context of the recent profound changes in the United Nations, among which are the following: more than two dozen States have joined the United Nations since 1991; the willingness of Member States to pay above capacity for political gains has almost disappeared; peace-keeping costs have recently experienced rapid and enormous increases; the proper balance between the development of conflict prevention and diplomacy, on the one hand, and peace-keeping, peacemaking and peace-building on the other, is under debate; in number, scope and complexity peace-keeping operations have greatly expanded, far beyond the past experience of the United Nations; and the effectiveness of some United Nations peace-keeping missions is under question.

With regard to late payments we note, first of all, that the obligation to pay in full and on time and the right to be assessed equitably both follow from the principle of sovereign equality, found in Article 2, paragraph 1, of the Charter. Secondly, we do not believe that the Secretariat or the General Assembly should make it difficult or impossible for Member States to pay in full and on time. A systematic and unbiased study of the reasons for non-payment or late payment could be a good place to start designing an improved system for the collection of contributions.

Regarding the cash-flow problem, we believe that the proper exercise of the authority granted to the General Assembly under Article 17, paragraphs 1 and 2, of the Charter requires that the Assembly do its best to follow budget approval and apportionment procedures that do not contribute to cash-flow problems. We hope that the negotiations currently under way in the Fifth Committee will go a long way towards removing this cause of cash-flow problems in the financing of peace-keeping operations through simplification and standardization.

Reform of assessment methodology is necessary, first of all, in order to respect the right of Member States to be assessed equitably. In addition, assessment, like a good taxation system, needs to be transparent, efficient and simple to administer. Assessment methodology for the regular and peace-keeping budgets should be designed for maximum possible fairness and equity through the incorporation of only those elements that are based on capacity to pay, observance of full horizontal and vertical equity, verification that data are comparable and reliable and close tracking of changes in economic conditions. An assessment methodology that incorporates the elements of fairness and equity just described should make it possible to review the methodology much less frequently than every three years, as is done at present.

The delegations of Estonia, Latvia and Lithuania stand ready to cooperate with other delegations in searching for viable and long-lasting answers to the financial problems of the United Nations.

Mr. Lavrov (Russian Federation) (*interpretation from Russian*): The Russian delegation listened to and studied with great attention the Secretary-General's statement on ensuring a viable financial basis for the Organization. In our view, it was a very timely statement prompted by the need to provide the resources necessary to fulfil the new and changing functions of the United Nations. We share the Secretary-General's concern about the unstable financial situation of the Organization. We, too, think this is an urgent political question, and we agree with his conclusions about the causes of this situation.

Primary among these causes is, indeed, the late and incomplete payment by Member States of their assessed contributions. While fully aware that Member States may have their own spending priorities and varying financial circumstances, we are firmly convinced that political will is needed if we are to have a United Nations that is viable and effective in solving the problems facing the international community.

Russia, for its part, despite its well-known economic and financial difficulties is doing its utmost to honour in full its financial obligations to the United Nations and to pay its arrears. This year alone we have paid over $320 million into the regular budget and for peace-keeping operations, and the amount of our payments next year is not expected to be any less.

It is clear, however, that political will must be placed within proper context. In this regard, the problem

of late or incomplete payments should be seen not only as a cause of the difficult financial situation of the United Nations but also as a consequence of the inequitable apportionment of its expenses. We fully concur with the Secretary-General's opinion that

> "It is important that Member States view the arrangements for sharing the Organization's expenses as fair." (*Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 28th meeting, p. 21*)

Unfortunately, the present arrangements can by no means be considered fair. Is it fair that the principle of States' capacity to pay, which is the fundamental criterion of the apportionment of expenses, is undermined and obscured? Is it fair that some well-to-do countries should be underpaying at the expense of those facing serious economic hardships?

We are firmly convinced that the unfair methods of assessment, both for the regular budget and for peace-keeping operations, are the root cause of the Organization's financial difficulties. Full and timely payment of contributions can be expected only when they are assessed on a fair basis. Otherwise, neither penalties nor incentives will be of any help. Fair apportionment of the Organization's expenses is where we should start tackling the overall problem of United Nations financial difficulties.

Under these circumstances, and taking into account the political nature of the question, we feel it would be appropriate to establish a high-level open-ended working group of the plenary, under the chairmanship of the President of the General Assembly, to study this matter in depth and to prepare recommendations before the end of the forty-ninth session of the General Assembly. We believe the proposed working group should make full use of the knowledge and expertise of the Fifth Committee, as well as that of the Advisory Committee on Administrative and Budgetary Questions. It is very important that from the very outset the proposed group be given a clear-cut mandate.

In conclusion, I would like to note that the Secretary-General's statement and the annex to it, although not all the ideas contained therein are acceptable to us, represent a good initial basis for considering the issue of ensuring a viable financial basis for the Organization. If we can agree to create the working group of the whole, we intend to make full use of this excellent basis to achieve further progress.

Mr. Ansari (India): As we approach the fiftieth anniversary of the founding of the United Nations, we have been taking a look at our Organization's methods, at its priorities, at its programmes and systems that have evolved over the years in response to the challenges of global development and of international peace and security. We have dwelt on these issues during the general debate. All of us have spoken about a new vision for the United Nations and a new commitment to it by the international community as we move into a new century. In the overall scheme of things, however, how many of us have paused to consider whether the financial arrangements have been satisfactorily functioning?

The Secretary-General, in his annual report on the work of the Organization (A/49/1), and again in his statement to the General Assembly on 12 October, has underlined the serious financial problems that we are confronting. We all share his view that without an adequate and secure source of funds the United Nations will not be able to fulfil the aspirations that we all have for it.

It is widely recognized, and this is also acknowledged in the Secretary-General's report, that the current cash-flow problems of the Organization arise principally out of the continued failure of some Member States to fulfil their Charter obligations to pay their assessed contributions in full and on time. As a consequence, at the end of August 1994 the outstanding amounts owed to the regular budget and various peace-keeping operations stood at a staggering $3.3 billion. Today, despite some improvement in the situation, the figure still stands at $2.1 billion.

For an organization that is dependent solely on the contributions of its Member States for the resources to discharge its mandated programmes and activities, late payments are, and will always remain, the major obstacle to ensuring a stable and secure capital base. There are quite a few instances where contributions are delayed because Member States are unable to make payments for genuine economic reasons. We need to show understanding in such situations. As we approach the fiftieth anniversary, let us make a gesture of commitment to the future of our Organization by pledging to clear all our outstanding dues before that historic occasion. In this task we look towards the major contributors to take the lead so that the financial health of the United Nations is speedily restored.

Efforts to work out arrangements to ensure that such problems are avoided in the future must necessarily form

a part of this exercise. Various proposals have been mooted from time to time on how we can ensure full and timely payment of dues to the United Nations. Proposals that would encourage us to do so, preferably through a system of incentives, need to be explored further. If necessary, carefully crafted proposals for disincentives should also be examined, always bearing in mind the need to balance such disincentives with sufficient flexibility with regard to their application so that injustice is not done to those who may temporarily face difficulties in making their payments for genuine economic reasons. Our collective objective must be to arrive at arrangements that will clear the outstanding dues and provide for a smooth flow of funds into the United Nations coffers in the future.

For several of us there is another dimension to the financial problems of the Organization. Like other troop-contributing countries, we in India have felt the impact of the current cash- flow problems through facing long delays in obtaining troop- reimbursement costs. We know that the large majority of countries recognize and appreciate the forbearance shown by the troop contributors in accepting these delays. During the course of our deliberations, we hope that we can consider ways in which priority could be given to the reimbursement of troop costs, especially to developing countries, which regularly provide troops for United Nations peace-keeping operations.

The Secretary-General has made certain proposals to solve the cash-flow problems. Increasing the level of the Working Capital Fund and Peace-keeping Reserve Fund is one of them. There is a need to engage in a frank and constructive dialogue with the Secretariat on all such proposals. But unless a practical solution is found to the larger question of how we can ensure payment of all dues in full and on time, proposals such as the replenishment of the Working Capital Fund and peace-keeping reserves would not constitute a fundamental solution to the financial problems of the United Nations. Such funds would again be rapidly exhausted through borrowings. We would essentially be shifting the consequences of the arrears onto those Member States which have paid in full and on time.

We have also taken note of the Secretary-General's view that reform of the existing budgetary procedures is one possible way of facilitating a viable solution to the cash-flow problems. It is our understanding that the Fifth Committee, which is the General Assembly's Main Committee on budgetary matters, is fully seized of these broader financial issues and intends to discuss them in the context of agenda item 132. Since a comprehensive review of budgetary procedures will be undertaken in that Committee, we could await the outcome of its deliberations.

In his statement to the General Assembly on 12 October the Secretary-General also made a reference to the need for a review of the current method of assessments as one element in a possible review of the financial issues before us. Such an appeal was made on the plea that the current methodology is in some way directly responsible for the present unsatisfactory financial situation in which the Organization finds itself today. However, if all the current and outstanding dues were paid by Member States to the Organization, it would have a cash surplus. It is equally worth noting that those who believe that the current chronic shortages of funds are attributable to the existing methodology of assessments also acknowledge that any changes in the methodology *per se* would not materially affect the aggregate United Nations revenues for peace-keeping.

For that reason, we believe that any review of the methodology for the regular-budget activities must be based on the principle of capacity to pay, which has been accepted as the fundamental criterion for assessing Member States over the last half-century. While the national income of a country is the starting point for determining its capacity to pay, such factors as its per capita income, its external-debt burden and its ability to pay in foreign currency are critical in more precisely reflecting this principle. These important elements which determine a country's ability to pay must not be sacrificed in the course of our seeking greater transparency in the methodology. Similarly, the proposals for annual revisions of the scale of contributions must be balanced against the stability and continuity that are provided by the current three-year scale period.

We believe that, with respect to the apportionment of peace-keeping costs, the special responsibilities of the permanent members of the Security Council and the fact that the economically developed countries are in a position to make relatively larger contributions, while economically less-developed countries have a relatively limited capacity to pay, remain valid. We also believe that the generally accepted premise for financing peace-keeping on the basis of procedures different from those used for regular activities, so that the heavy expenditure that is involved will not become a burden on the developing countries, continues to be relevant today, when the costs of peace-keeping are higher than ever before. We further believe that the guidelines and practices established for the apportionment of peace-keeping expenses have stood the test of time, and that the

ad hoc scales represent a delicate balance that now needs to be institutionalized.

When we consider the financial problems of the United Nations we should not lose sight of the fact that there is an equally serious crisis in the funding of the Organization's operational activities. Many pledges have been made of new and additional resources for development, but, as the Secretary General has noted, the resources for development have been dwindling. We hope that the current consultations the President has initiated on the funding of operational activities will lead to the establishment of a funding system that would generate substantial increases in resources on a predictable, continued and secure basis.

My delegation can look at all the issues. Given the urgency of the matter and the desire of the Secretary-General to address them at a high political level, we have engaged today in the debate in the General Assembly. We shall be happy to participate in the high-level Working Group, under the chairmanship of the President of the Assembly, with an open mind and sensitivity to all points of view. Our first objective must be to work on arrangements that will lead to the clearing of the financial backlog and to the smooth flow of funds in the future. Lastly, given the complexity of the issues involved, it is our sincere hope that the final decisions will be arrived at on the basis of the broadest possible agreement and in full consultation with all Member States.

Mr. Mwaungulu (Malawi): A discussion of the financial situation of the United Nations is in effect a discussion of the Organization's ability and capacity to perform its work. The Organization's work, as comprehensively presented in the report of the Secretary-General in document A/49/1, has increased tremendously in the past few years. It has also become extremely expensive, particularly in the area of peace-keeping operations. Regrettably, the contributions of Member States have not been paid in a timely manner, thus placing the financial viability of the Organization in serious jeopardy.

The Secretary-General made an earnest and convincing appeal on 12 October 1994 to Member States, urging them to meet their financial obligations to the United Nations. I am pleased to say that my Government heeded this appeal, albeit in a small way, and despite its own severe financial problems made a contribution of $115,000, which substantially reduced its arrears.

My Government places a high premium on the work of the United Nations in development and agrees completely with the Secretary-General's vision that this will be the primary mission of the Organization in the next 50 years. Only if financial resources are available can the United Nations as a whole play its extremely important and expanding role in development.

My Government considers any impasse in the resolution of the financial situation of the United Nations to be full of dangers because — and this is recognized — its role in peace-keeping is irreplaceable and its role in development will contribute directly to the maintenance of international peace and security. It is therefore imperative for all Member States to reach a consensus on the assessment of contributions. My delegation supports, in this respect, the proposal to establish an open-ended working group to deliberate on this issue, under the chairmanship of President Essy. The working group should have a realistic timetable for the completion of its work.

As a least-developed and landlocked Member State of this Organization, my country appreciates the positive and supportive views which have been expressed in this Assembly in this regard, particularly the statement of the representative of the United States that his Government believes that

> "concessional rates for the poorest Member States should be included in any new formula [for assessing contributions]" *(Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 85th meeting, p. 7)*

and, among others, the statement of the European Union that the assessment of contributions should take into account Member States' capacity to pay.

Finally, it is the strong belief of my Government that it is incumbent upon all States Member of the United Nations to reverse the situation which unavoidably led to the conclusion by the Secretary-General in his report

> "that full and responsible participation in the United Nations is not a top priority on the agendas of most Member States." *(A/49/1, para. 793)*

At this stage of its existence, with the demise of the cold war and faced with some of the most daunting challenges the world has ever witnessed, the United Nations deserves unambiguous political commitment from Member States.

Mr. Cárdenas (Argentina) (*interpretation from Spanish*): At the outset, I should like on behalf of my delegation to thank the President for having brought us together in this Hall to express our views on our Organization's current difficult financial situation. We are equally grateful for his efforts to initiate this dialogue, to which my delegation attaches great importance.

I should also like through him to thank the Secretary-General for the timely and clear statement he made to the Assembly on 12 October on the financial status of the United Nations. The Argentine Republic supports his initiative and joins in his appeal to us to act in concert, with an urgency commensurate with the gravity of the situation, to seek lasting solutions that can give the Organization a solid and stable financial base that will ensure its viability in the face of new realities. These solutions must begin with a demand for payment of arrears by certain States Members of the Organization. But that is not enough.

Almost 40 years ago, when this Organization was still young, a study group on the United Nations Charter said that:

> "Financing the United Nations is somewhat like the effort to provide for a large family on very modest resources. Some family plans may be delayed or abandoned, while some of the available resources may end up being wasted, relatively speaking. It is difficult to ensure that every member of the family bears his share of the responsibility and there is a constant concern to make sure that resources and needs are in balance. It is often claimed that the question of the right of veto is the most difficult one facing the United Nations. But, in fact, the question of resources, which are the life blood of any organization, has proved to be, though less spectacular, just as difficult and in some ways even more complex than the discussion on the right of veto itself."

Many years have passed since then, and little — very little — seems to have changed.

What is disquieting is that this problem which, unfortunately, appears to have become chronic — if not to say inevitable — is no longer tolerable now that it has grown significantly and reached such a scale that the very efficiency of the Organization and its operations are at stake.

For this reason, solving this problem involves the very credibility of the Organization and presents the possibility of demonstrating what is the real degree of Member States' commitment to it. But there is also the urgent need to restore confidence in its operations — confidence which has been visibly eroded by the manifest lack of the basic vital resources required in order for it to meet its responsibilities, including those relating to international peace and security.

As we know, once the cold war ended, the United Nations regained the possibility of making full use of the machinery designed by the founding fathers on the basis of the agreements articulated at San Francisco.

It has been almost 50 years since the world first placed its hopes in the Organization and, despite the difficulties, it continues to do so because it shares its ideals.

The challenge of endowing the United Nations with the resources without which it cannot do its work is therefore tremendous, and there is no room for delays or evasions which would only serve to suggest a lack of belief in the central and basic idea that the world which cherishes the ideals of peace requires the United Nations.

Now, more than ever before, Member States are facing the responsibility of making every effort, at the appropriate political level, to reach a consensus solution on the financial crisis plaguing the Organization. This is not the time for delaying tactics or discussions, let alone procedural manoeuvring.

In any event it is time to respond to the pressing exigencies of the situation. It is the time for solidarity and, what is more, for careful thought followed by prompt action.

There has been so much talk about the financial crisis that it has even been said that it does not really exist.

The real state of affairs is quite different. The Organization's expenditures are now clearly different from what they traditionally used to be, and Member States owe it so much that it can even be said that expenses for two entire regular budgets are outstanding and unpaid and that contributions to peace-keeping operations are also significantly in arrears. The situation is that serious.

The magnitude of the crisis needs no further explanation. What has been emphasized by the Secretary-General is sufficient for my delegation.

The enormous accumulated debt is eloquent testimony of the crisis and of the resulting imbalances.

For example, it seems bizarre to witness over a period of time the rare spectacle of the troop-contributing countries financing many other countries, including some of the largest, but this is in fact what is happening.

The crisis is generating all kinds of operational disturbances, including mistrust, disorder, frustration, breaches of financial rules dictated by events and emergencies, failure to fulfil targets, lack of incentives, absence of penalties, diluting of responsibilities, lack of appropriate control mechanisms and other shortcomings and difficulties — all of which adversely affect the functioning of the Organization.

Reducing arrears is a shared priority, and it must be accomplished without further delay.

No one could suggest that arrears are useful levers to maintain in order in one way or another to put pressure on the Organization to adopt a line of conduct favoured by the very Member in default. But neither can it be maintained that the best course in an emergency is to prevent or delay discussion.

We need to make the point again, however obvious it may be, that there can be no effective functioning of the Organization without Member States fulfilling their financial responsibilities in accordance with the very clear obligations under the Charter. If these responsibilities are not met, the current situation will continue; hence the financial crises of the United Nations will become cyclical and the shortage of funds will constantly militate against the normal development of the Organization's operations.

At the appropriate political level, it is essential to study the various reasons which apparently cause certain Member States to fall into a pattern of late payments which, from the collective standpoint, has become unacceptable since it is not consonant with the responsibilities these Members undertook *vis-à-vis* the rest of the membership.

As we see it, there are many measures that could be discussed and adopted. Some of them have already been described by the Secretary-General in documents presented to the General Assembly, and my delegation supported them. If adopted, they would help to improve the Organization's economic situation. All of them should be examined to determine whether or not they should be adopted.

For example, we hope that the preparation of annual budgets for each of the various peace-keeping operations will help to reduce the work of production, analysis and documentation control and also permit Member States better to programme the payment of their contributions, thus helping to improve the Organization's cash flow.

We also hope that there will be a more restrictive interpretation of Article 19 of the Charter, one more in accord with its spirit and with the needs of the Organization. My delegation has no difficulty in proceeding with a study of the whole set of mechanisms intended to prevent delays in contributions from becoming a permanent feature.

My delegation takes the view — and here we fully concur with the Secretary-General — that, because of their importance, we need to scrutinize these matters at the highest possible political level without delay, in order to ensure that Member States recognize that the measures to be taken in this area are fair and equitable when decisions are taken to apportion the Organization's expenses.

It is clear that dialogue is enriched when there are differences of opinion — and to be afraid of them is unthinkable. Further, we believe that, generally speaking, there is no single truth, no single option and no single response, but that it is our duty promptly and in a balanced and fair way to seek global solutions that represent the basic common denominator enabling us to provide a prompt solution to the crisis. This must be accomplished without becoming either bogged down in argument or evading dialogue, or pushing issues in the direction of forums that do not operate in the decisive framework the question requires and that, in addition, are notoriously overburdened with their own agendas.

It should be done without being excessively wedded, for short-term reasons, to formulae that rely too much on the past, as has been advocated by some delegations. For example, the contribution formula with the adjustments that have been built up over the years must now cope with an expenditure structure which is very different from that of the past, in particular financing of peace-keeping operations.

But we must also not be hasty or leap in the dark; and in no way should we generate inequities.

My delegation stated in the Group of 77 that it viewed the setting up of an open-ended working group at the highest possible level within the General Assembly itself as the right political response that would contribute to productive dialogue designed to find the serious and lasting political solutions the Organization needs. In our view, the group should have a sufficiently broad mandate to permit all its members to analyse in depth issues of interest to them.

Furthermore, their conclusions should be adopted by consensus while taking care to ensure that that mechanism is not a substitute for the veto or a kind of strait-jacket which would impede the taking of decisions which would be consonant with the spirit and letter of the Charter.

Mr. Seniloli (Fiji), Vice-President, took the Chair.

Once the decisions of a political nature have been taken by that group, as we hope will be the case, they would presumably have to be implemented in detail and on a technical basis within the Fifth Committee.

Without prejudice to what I have just said, I would like to indicate that as far as our delegation is concerned the most important point is that the elements of the financial crisis and not just the question of arrears should be given urgent and comprehensive treatment. This should be done with a view to reaching agreement on appropriate solutions, with a view to ensuring their durability.

Should the General Assembly decide to follow another course, we would like to state that, notwithstanding our possible disagreement with the procedure, and our uneasiness at what would amount to rejecting, for reasons we cannot share, the open and frank dialogue — and at the appropriate level — called for by the situation, we will go along with the consensus and, of course, continue to work on this matter realistically and without shirking our responsibilities, as we have done thus far.

Mr. Remirez de Estenoz (Cuba) (*interpretation from Spanish*): Allow me at the outset to express my delegation's support for the statement made by the representative of Algeria on behalf of the Group of 77 and China.

The political sensitivity of the issue before us is obvious. However, we are holding this discussion in the midst of confusion over content and procedural issues. At the beginning of this forty-ninth session, the General Assembly adopted its agenda and the allocation of items between the plenary Assembly and the Main Committees. In this exercise, the General Assembly decided to assign item 109 — entitled "Improving the financial situation of the United Nations" — to the Fifth Committee. None the less, an attempt has been made to force Member States to debate and negotiate this entire subject under item 10, entitled "Report of the Secretary-General on the work of the Organization", which has never been the basis for discussing and adopting decisions on any of its sections that are covered by other agenda items, let alone when the issue in question has been assigned to one of the Main Committees, as in this case. Needless to say, the General Assembly comprises the Assembly itself meeting in plenary meetings and its Main Committees; consequently, the Fifth Committee is also the General Assembly.

Why, then, is there such insistence on depriving the Fifth Committee of its functions? The General Assembly's rules of procedure are clear and precise. Rule 94 states that the Fifth Committee deals with administrative and budgetary questions; but what is even more important, following the same rationale, is rule 97, which states:

> "Items relating to the same category of subjects shall be referred to the committee or committees dealing with that category of subjects".

Is this an attempt indirectly to amend the rules of procedure of the General Assembly? Accepting to debate and negotiate this important issue under item 10 would create a serious precedent, for, in the future, no item would be exempted from being discussed in the plenary Assembly and the allocation of the work among the committees could be called into question.

Should the item in question differ substantially from the content of item 109, the provisions of rules 18, 19 and 20 of the rules of procedure of the General Assembly would be applicable, particularly the submission of an explanatory memorandum. We hope that the President and the Secretary-General will maintain the procedures and practices of the General Assembly.

If the intention is to approach this matter from a political angle — a suggestion which, by the way, is shared by my delegation — then it is unacceptable that the debate should be restricted only to financial aspects; and instead, its scope should be broadened.

In 1985, the General Assembly created the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations — the Group of 18. Based on the results of its work, the General Assembly adopted resolution 41/213 by virtue of which, *inter alia*, a new budgetary process was established. The basic aim of the major contributor was to achieve the introduction of the consensus rule for the adoption of budgetary decisions and, to this end, it resorted to financial blackmail through the infamous Kassebaum Amendment. The political solution reached on that occasion was based on the commitment to make every possible effort to reach a wide-ranging agreement on budgetary questions, while the major contributor committed itself to pay contributions on time and, consequently, to abandon its policy of financial pressure. From that moment on, the other Member States have endeavoured to arrive at consensual decisions. In truth, the major contributor more than just reached its goal, because from that moment on not only the budgetary items but also all items related to administrative and budgetary questions have been adopted by consensus. However, the solemn promise is still to be fulfilled: the major contributor continues to implement that policy and is now attempting to expand its implementation to the financing of peace-keeping operations.

In reality, the so-called "financial crisis" of the Organization is nothing more than a euphemism in an endeavour to conceal the persistence of the attempts by the major contributor to control the work of the Organization, in pursuit of which it continues to implement its policy of financial blackmail.

My delegation is ready to initiate a serious and thorough political debate on the financial situation of the Organization on the basis of certain principles and understandings, among which, in the view of my delegation, should be included: first, respect for the mandates and procedures of the Fifth Committee and expert bodies in the administrative and budgetary fields, especially the Committee on Contributions; secondly, non-restriction of the item to strictly financial matters and initiation of discussion of the rights and duties of Member States, especially the privileges and extraordinary powers of the permanent members of the Security Council; and thirdly, acceptance of the principle that the developed countries are in better economic conditions to make financial contributions to the Organization.

It is unfair and irritating that all Member States should have to contribute, on an equal basis, to the financing of peace-keeping operations that have been conceived by a Security Council that is controlled by a small group of Member States, some of which subsequently abandon the operations and refuse to pay the corresponding contributions. On the contrary, my delegation is convinced that it is high time for the General Assembly to institutionalize the special scale for the financing of peace- keeping operations as a minimal gesture towards alleviating the yoke of the discrimination suffered by the vast majority of Member States which, by virtue of the practices of the Security Council, are deprived of direct or indirect participation in the decision-making process in areas of such importance as those related to peace-keeping and international security.

When the Security Council becomes a democratic organ, with transparent procedures and practices for the membership of the United Nations, my country will be in a position to contribute more actively to the financing of peace-keeping operations.

We share the view that one of the causes of the precarious financial situation is late payment by some Member States of their assessments for the ordinary budget and for peace-keeping operations. However, it is essential to make a clear distinction between the States whose contributions are delayed due to internal economic difficulties and those which withhold such payments with the deliberate publicly expressed aim of manipulating the Organization in its national interest.

It seems to us improper to state that the restructuring of the scale of assessment should be based on objective criteria, when the decisions adopted by the General Assembly on the basis of recommendations made by such a reputable expert body as the Committee on Contributions are called into question.

The majority of the proposals before us are not new, and the General Assembly has already taken a stand on them. When this item is dealt with by the Fifth Committee, as the only appropriate forum for such a discussion, my delegation will formulate specific comments on these proposals or others put forward by Member States.

Mr. Larrain (Chile) (*interpretation from Spanish*): The delegation of Chile fully shares the concern about the difficult financial situation of the United Nations expressed by the Secretary-General in his statement at the close of the general debate, on 12 October; we also agree with him that there is a need to re-establish a viable financial base for the Organization to continue its work in the service of Member States.

We are a member of the Group of 77, and agree with the statement made this morning by the Permanent Representative of Algeria on behalf of the Group and China that it must be admitted that although we have collectively recognized the problems we have not acted accordingly.

It is ironic that at a time when Members are assigning greater and more complex responsibilities to the Organization, and expecting them to be fulfilled, the United Nations is not receiving the payments that Member States themselves have approved in the competent bodies; this makes it difficult to carry out the work of an administration that we want to be effective and efficient. Can the United Nations continue in the present international circumstances, which are so auspicious for peace and economic and social development, to expand its activities without the necessary support and in the face of a financial uncertainty that sometimes prevents it from meeting its daily needs? How much longer, and at what cost, can the Organization continue in a crisis of liquidity and with the constant need to call for the payment of all contributions, in full and on time?

In my country's view, timely and unconditional payment by Member States of their assessments is unquestionably the only valid way to resolve this financial situation, which has become endemic and which is clearly growing worse because of the staggering increase in peace-keeping operations. We understand that some countries may be unable to fulfil their commitments on time. But, at the same time, we fail to understand why States with the means are reluctant to pay.

In our view, any effort to improve the efficiency of the Organization must involve the Secretariat's adapting to the prevailing realities and responding rapidly to its growing responsibilities. But it must also involve a clear and concrete expression of the political will of Member States to provide the Secretariat with the resources it needs.

In that connection, while my delegation is flexible about the machinery that would best serve the common goal of finding measures to resolve this serious crisis, we agree that the best thing would be to establish an open-ended working group in the context of the Assembly's technical functions.

My delegation thinks that the Assembly must above all be pragmatic; it is in that spirit that we should examine the content and scope of all proposals made in this forum, so that, after we have all reflected on the matter, we can proceed to negotiate and define, by consensus, the universally applicable measures that we must adopt.

In that connection, this report the Secretary-General submitted to this General Assembly session on the work of the Organization and other relevant documents contain ideas that the Secretariat could organize in a simple, direct way that could point the way for the work of delegations. By way of example, I shall mention several elements that my delegation considers worthy of study.

We believe that charging interest on late payments could be a useful deterrent to future arrears. It would, of course, be necessary to study the causes of the problem, and in certain cases involving socio-economic factors there would have to be exceptions and perhaps payment agreements.

The proposal to increase the levels of the Working Capital Fund and the peace-keeping reserves deserves careful study. But we believe it can be considered only on the understanding that a normal situation in the payment of assessments would first have to be created, in order to avoid penalizing countries that are punctual in their payments.

With respect to the financing of peace-keeping, my delegation considers that the special ad hoc scale of assessments established by resolution 3101 (XXVIII) should be institutionalized, in the context of activities involving collective responsibilities, but activities differentiated according to existing privileges and responsibilities within the United Nations system.

The annual report of the Secretary-General contains important elements which are heartening with respect to the future functioning of the Organization and which will ultimately help establish a better financial situation. The new structure of the Department of Administration and Management and the creation of the Office of Internal Oversight Services will assist the Secretary-General in this respect by giving United Nations activities greater flexibility while also facilitating better use of resources and increasing the confidence of Member States.

As we have said on a number of occasions on this subject, we want to support and facilitate the work of the Secretary-General. We are aware of the diversity of the interests represented here and of the need to find generally acceptable agreements to resolve the current financial crisis. In that context, the ad hoc working group must be given the time it needs to achieve its objectives. It would therefore be appropriate to concentrate on

aspects on which consensus could be achieved quickly, while identifying others that would require longer consideration and a dialogue with Foreign Ministries.

The President took the Chair.

Mr. Zlenko (Ukraine): First of all, I should like to express my sincere appreciation to the Secretary-General, His Excellency Mr. Boutros Boutros-Ghali, for his 12 October 1994 statement to the General Assembly on ensuring a viable financial base for the United Nations. We view this as the logical result of the intensive work which has been carried out in recent years to overcome the critical financial situation of the Organization.

Ukraine, like the overwhelming majority of Member States, views the problem raised by the Secretary-General with great attention and concern. In today's multipolar world, the United Nations is called upon to play an entirely new role in peacemaking and in the maintenance of peace and security. The tasks of the Organization in promoting sustainable development, in advancing human rights and in ensuring the implementation of humanitarian activities are growing. However, the existing financial system of the United Nations has proved to be incapable of providing the capacity or flexibility to respond expeditiously to the challenges arising from those tasks. The Secretary-General had good grounds to say that

> "The ability of the United Nations to perform the functions for which it was created is in danger". (*Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 28th meeting, p. 21*)

We fully share the idea that the question of the financial situation of the United Nations and of the system of its financing is no longer a purely financial one. It is an urgent political question. Obviously, no one doubts that — aside from the rational and efficient application of resources — payment by all Member States of their assessed contributions in full and on time is the only long-term solution to the financial constraints of the United Nations. Only with foresight and a willingness on the part of Member States to face up to their responsibilities and commitments can the United Nations become the organization that our times demand.

Hence, in order to encourage inflow of contributions in full and on time, it is now being recommended more and more often that authority be given to the United Nations to charge interest on delayed payments, to apply Article 19 of the Charter more strictly, to determine the size of personnel quotas on the basis of actual payments, and to limit the opportunities for debtor States to participate in the work of United Nations bodies. The set of proposals for such penalty measures is, regrettably, growing rapidly.

Given the possible attractiveness of such methods, it should be borne in mind in this case that they involve a certain infringement upon the interests of quite a large group of Member States of the Organization for which, due to their considerable economic difficulties, the payment of contributions poses a serious problem. The implementation of such practices would be nothing less than the enforcement of draconian measures against Member States which are experiencing a difficult economic situation.

Regrettably, the idea of eliminating the distortions existing in the basic elements of the United Nations financial system — the scale of assessments of contributions of Member States to the regular budget and the system of the apportionment of expenses for the financing of peace-keeping operations — is being viewed more cautiously in the Organization. As a consequence, the assessment rates of a considerable number of Member States do not correspond to their capacity to pay.

The United Nations will not be able to overcome its difficult financial situation unless a fair apportionment of expenses among all Member States is achieved. As was recently stressed from this rostrum by Mr. Leonid Kuchma, the President of Ukraine,

> "The principle of capacity to pay — a principle which is widely proclaimed — should be implemented fully in a practical manner, both in determining Member States' assessments in respect of the regular budget and in apportioning the cost of financing United Nations peace-keeping activities. It is now vital that a political decision be taken with regard to these issues." (*Official Records of the General Assembly, Forty-ninth Session, Plenary Meetings, 61st meeting, p. 5*).

In this respect, Ukraine attaches great value to the statement made by the Secretary-General on the subject of ensuring a viable financial base for the Organization. It offers the opportunity for a wider discussion of this particular problem at the political level. We support the establishment of an open-ended high-level working group under the chairmanship of the President of the General Assembly. It is our hope that the results of its activity will enable the United Nations to reach the fiftieth anniversary of its founding as a renewed and

energetically developing Organization adapted to the realities of the contemporary world.

Obviously, the system of the apportionment of contributions among Member States for the financing of United Nations activities, including peace-keeping operations, should undergo a certain transformation. Having said this, we have no intention whatever to propose a needless review of the basic principles of the apportionment of United Nations expenses. Ukraine shares the view that the States that are permanent members of the Security Council should not simply enjoy special rights in the Organization: they should also bear special responsibility for implementation of peace-keeping activities. However, confidence in the mechanism by which the expenses of the United Nations are divided among all Member States should be restored through their joint efforts.

Over recent years, Ukraine has taken active steps within the framework of the United Nations to obtain a rate of assessments that would be in line with its capacity to pay. To a considerable extent, such steps have been taken because our country appears to be among those Member States that have been particularly affected by the redistribution of the assessment rate applied to the former Union of Soviet Socialist Republics (USSR) in respect of the United Nations regular budget. An unprecedented increase in Ukraine's rate of assessment for 1993 to 1994 by more than one and a half times was the consequence of this action.

The forced imposition of assessment rates on Ukraine and a number of other Member States that had been subjects of the former USSR undermined the existing spirit of consensus on the apportionment of United Nations expenses. Decision 47/456, adopted by a vote of the General Assembly two years ago, cannot be considered either fair or properly grounded in law. Criticism of its erroneous nature is being increasingly heard.

The rate of assessments established pursuant to decision 47/456 is unacceptable to my country. It bears no relation to the capacity to pay of a State whose economy has been experiencing a protracted grave economic crisis, and it will result in rapidly growing indebtedness to the United Nations.

At the same time, for no good reason Ukraine remains in group "B" of the scheme of the apportionment of the expenses for the financing of the peace-keeping operations, despite its numerous requests to the General Assembly for relocation into group "C".

For Ukraine, the problem of bringing its financial obligations to the United Nations into line with its real capacity to pay has gone beyond the administrative and budgetary framework. The excessive size of its contribution has now become an obstacle to our State's full-fledged membership in this Organization. This fact can neither be avoided nor hushed up.

We should like all Member States to be aware that the settlement of the problem of the excessive nature of Ukraine's assessment is an acute political issue to be addressed as a whole by the United Nations.

We are often told that Ukraine has become a hostage of the dated system of the apportionment of United Nations expenses. Therefore it is deemed impossible to establish immediately a fair rate of assessment for our country. To a certain extent, this idea is not far from reality. However, we have become more and more convinced that the major reason for retaining the "Ukrainian phenomenon" in the scale of assessments of the United Nations is the absence of political will among the Member States to resolve this problem. This is particularly so in the case of Member States that, though recognized leaders in world industrial output, have for many years paid contributions to the United Nations at a level below their economic performance and are now trying "in a human way", step by step, allegedly to restore fairness in the apportionment of the expenses of the Organization. Obstacles of the same nature are also arising on the path of the practical implementation of Ukraine's initiative concerning its relocation into group "C" of the scheme of the apportionment of expenses for the financing of United Nations peace-keeping operations.

By ratifying the Treaty on the Non-Proliferation of Nuclear Weapons Ukraine has confirmed that our country is a responsible member of the international community. Implementation of the provisions of the Treaty will be very expensive for Ukraine. The United Nations should not ignore this fact.

Solving the problem of Ukraine's excessive United Nations assessment, and changing its level of participation in financing peace-keeping operations, cannot be endlessly deferred. We hope that our country's financial burden resulting from its membership of the United Nations will be adjusted, at the current session, in line with its capacity to pay.

This is the basis for Ukraine's position on recommendations with respect to the scale of assessments for the next three years.

Mr. Mabilangan (Philippines): Allow me, Sir, to express my delegation's appreciation to you for convening this general debate on the financial situation of the United Nations. The fact that we are holding this debate in plenary meeting attests to the paramount importance of the issue. We therefore welcome this opportunity to present our views on this matter.

Before I proceed, I should also like to express our appreciation to the Permanent Representative of Algeria for his statement on behalf of the Group of 77 and China, with which my delegation fully agrees.

The Secretary-General has on several occasions this year and in the past drawn our attention to the increasing seriousness of the financial situation of the Organization. This is not the first time that our Organization has been faced with a cash-flow problem. It will be recalled that in resolution 41/213 the Assembly reaffirmed the collective responsibility of all Member States to fulfil their financial obligations promptly and in full, in accordance with the Charter of the United Nations. In the eighth preambular paragraph of the resolution we recognized

> "the detrimental effect of the withholding of assessed contributions on the administrative and financial functioning of the United Nations".

And in the next preambular paragraph we recognized the adverse effects of late payments on the short-term financial situation of the Organization. Yet, despite these stated principles and a collective recognition of the problem, the situation remains far from satisfactory.

It is regrettable to note that as of 30 November 1994 the unpaid obligatory contributions of Member States amounted to $2 billion, $1.5 billion of which was for peace-keeping operations. It should be noted that the arrears of the major contributors represented a large proportion of this amount.

We believe that the current financial situation is further exacerbated by the unprecedented increase in the number, cost, scope and complexity of peace-keeping operations. As the Secretary-General stated in his report contained in document A/48/945, such field missions have increased from eight in mid-1990, with an estimated annual budget of $600 million, to 29, at approximately over $3 billion this year. This is three times more than we Member States spend for the regular budget. We hope to see the same level of resources accorded to development activities and issues.

The 17 peace-keeping operations in the last five years have strained the limited resources of the developing countries and have made it difficult for them to effect the timely payment of their dues to the United Nations. The proposals of the Secretary-General, as well as the recommendations of the Advisory Committee on Administrative and Budgetary Questions for the more effective planning, budgeting and administration of peace-keeping operations, are currently under consideration and review by the Fifth Committee, which, hopefully, will lead to an improved process of collection and payment of Member States of their assessed contributions.

But, however noble our efforts may be in enhancing the efficiency and cost-effectiveness of the Organization to enable it to respond more adequately to the mandates entrusted to it, they will not meet with great success if the United Nations continuously remains in financial straits. We believe that if Member States, especially the major contributors, paid their outstanding dues this would greatly alleviate the cash-flow problem of the Organization. This would also permit the reserves of the United Nations to return to normal levels and would reinforce the capacity of the Organization to meet the expectations of Member States.

Greater understanding should be given to those that consistently meet their financial obligations in full, but are unable to do so on time, not because of lack of political will on their part, but largely due to legitimate economic difficulties and internal budgetary processes. But we find it difficult to understand those that for other reasons fail to honour their Charter obligations. In the interest of sustaining our Organization, we therefore join others in appealing to them to meet their obligatory contributions in full, on time and unconditionally.

We share the concerns of those delegations that have expressed serious reservations on the suggestion of a linkage between the current financial difficulties and the method of assessing Member States. The General Assembly has, time and again, recognized that the principle of "capacity to pay" is the fundamental criterion in determining the scale of assessments for the apportionment of the expenses of the United Nations. At the fiftieth session we shall have before us the reports of the intergovernmental working group of experts in the fields of finance, economics, statistics and other related fields on the implementation of this principle, and of the Committee on Contributions on its comprehensive review of all aspects of the scale methodology. In our view, it would be prudent for us to await the results of both studies.

We believe, however, that the current method of assessment, based on the principle of "capacity to pay", is the result of our collective experience and understanding, which has carefully taken into account economic and political considerations. We further believe that the concerns of Member States, particularly the developing countries with low per-capita income and high external debt, as well as limited ability to secure foreign currency, should continue to be important elements of the scale methodology, as these affect one's capacity to pay.

In the case of the peace-keeping special scale, it is our view that the principles underlying resolution 3101 (XXVIII) of 1973, which recognized the special responsibility of the permanent members of the Security Council and the limited capacity of developing countries, remain valid today and should therefore continue to govern the apportionment of peace-keeping expenses.

As one of the original signatories of the United Nations Charter, we remain committed to the principles and ideals underlying the very existence of this world body. In this regard, my delegation is prepared to engage in discussions that would, in all seriousness, address the cash flow of the Organization. In our view, the proposed open-ended working group, within the context of the Fifth Committee, should address this pressing issue and consider all proposals on improving the financial situation of the Organization. In considering the issues and possible measures to address the financial difficulties of this Organization, we further believe that the approach of reaching the broadest possible agreement on them would be the preferable and more desirable one.

Mr. Pashovski (Bulgaria): At a meeting of the General Assembly on 12 October 1994 the Secretary-General made a statement on the long-standing difficult financial situation faced by the United Nations. He put forward a broad range of possible ways to ensure a viable financial basis for the Organization. The message was clear. We believe that there is no time for delay and that Member States must find an appropriate mechanism for discussion of all aspects of the financial situation of the United Nations.

My delegation shares the basic assumptions that the Member States have a collective responsibility for the performance and well-being of the United Nations and that each Member State must adhere to treaty obligations assumed with ratification of the Charter. The Governments of the Member States should take measures to improve the performance of the United Nations in general and, in particular, to give it a sound financial base. On the other hand, we have to admit that proper financing will not, by itself, solve all the Organization's problems. By no means is the enhancement of the effectiveness and cost-efficiency of the Organization of less importance than its financing.

We share the view that the precarious state of the Organization's financial affairs is due basically to the failure of Member States to pay their assessed contributions in full and on time. Apart from occasional severe economic hardship or natural disasters experienced by some Member States in circumstances of *force majeure*, there can be no good reason for shortfall in payments. The withholding of payments for political reasons is always unacceptable.

All ideas and proposals aimed at addressing the financial problems of the Organization deserve thorough consideration, both separately and collectively.

If the Organization is to be able to reimburse the troop-contributing countries on time, assessed contributions must be paid promptly. Any further delay in this regard could discourage troop-contributing countries from further participation in peace-keeping operations and, in particular, could dissuade new contributors, and the trust in United Nations operations could be affected.

A more expeditious procedure for approving peace-keeping budgets — a subject that is now under discussion in the Fifth Committee — could save months between the Security Council's approval of operations and the sending of assessments to Member States.

The way in which the voluntarily funded agencies are financed must also be given due consideration if the sustainability and predictability that are so necessary in operational activities are to be achieved.

Bulgaria pays the utmost attention to issues related to the method of assessing Member States for the regular budget. The system must be brought more into line with States' actual capacity to pay. In this regard, we should consider the establishment of an assessment scale that is more reliable than the current one and reflects Members' changing national circumstances much more rapidly. My delegation appreciates the establishment, through General Assembly resolution 49/19, of the ad hoc working group on capacity to pay and is ready to contribute to its work.

Aware of the complexity of the issues before us, my delegation would like, in conclusion, to welcome your

initiative, Mr. President, in the establishment of an open-ended working group, under your chairmanship, to report to the General Assembly. It is right that the working group should be open-ended, as all measures to be discussed concern the United Nations membership as a whole, and universal participation is therefore advisable. We believe that the consideration of measures to achieve a viable financial basis for the Organization is not just something in the interests of all Member States but also their obligation.

Mr. Rovensky (Czech Republic): I should like, first, to thank you, Mr. President, for your initiative in convening this important debate. The delegation of the Czech Republic is deeply concerned about the difficult financial situation that in our view is undermining the effective functioning of the United Nations. We are fully aware of the seriousness of the crises and of its causes.

We are of the view that lateness in payment by Member States and the loss of equity and credibility in respect of the current assessment scheme for regular and peace-keeping contributions are the most serious causes of the current situation. While some countries are overburdened, others are taking advantage of the current situation. An increasing number of Member States complain about the discrepancy between the proclaimed principle of "capacity to pay" and the reality of its implementation. As a result, the prospects for consensus acceptance of a new scale of assessments for 1995-1997 are fading.

My delegation believes that the United Nations should not tolerate discrepancies between the criteria that it establishes and their implementation. The restoration of a viable financial basis requires, first of all, the establishment of verifiable and equitable criteria based on the capacity of Member States to pay. Methods of assessment could thus be improved and the present distortions eradicated. Such measures would restore equity and credibility and would make consensus possible.

The equitable sharing of the Organization's expenses among Member States on the basis of real capacity to pay should help to achieve consensus in respect of measures to deal with another cause of the precarious financial situation of the Organization. I refer to late payments by many Member States.

In the case of the Czech Republic, the assessment rate determined by last year's ad hoc decision was three times greater than it would have been if it had derived from our statistical data. Because of lack of any objective standard criteria, this has not been taken into account in respect of peace-keeping assessments. Here we have an illustration of the deficiencies of the present system.

My delegation welcomes and strongly supports the basic objectives of the Secretary-General's initiative, as set out in his statement of 12 October 1994, to restore a viable financial basis for the Organization. We are convinced that the problem has assumed such proportions that it can no longer be solved by simple administrative means. The necessary far-reaching decisions on this issue will require consideration at the highest political level.

My delegation therefore fully supports the establishment of an open-ended, high-level working group to improve methods of assessment, to resolve cash-flow problems and to take measures to achieve full and timely payment by Member States.

Let me conclude, Mr. President, by expressing my delegation's strong belief that under your able guidance and with the good will of Member States we shall be able to resolve the difficult issue before us now.

The President (*interpretation from French*): We have heard the last speaker in the debate on the financial situation of the Organization, and I must now share with the Assembly some comments inspired by that rich debate.

First, it should be noted that the Secretary-General's statement to the General Assembly on 12 October has received a sizeable response, as evidenced by the fact that 32 delegations spoke. In fact, this number represents many more delegations because one person spoke on behalf of each of three large regional groups.

This debate also afforded us an opportunity for a serious analysis of the Organization's present financial difficulties, and we can say, like the Secretary-General, that this is a financial crisis for the Organization. The elements of this crisis have in large part been reviewed, and so a number of parameters have often been mentioned but in no kind of order — namely, the failure of Member States to pay their contributions on time and in full, as is their obligation under Article 17 of the Charter; the effects of such failure on the reserves of the United Nations — and this because of unsuitable budgetary procedures — and, finally, the question of the scale and methodology of assessments. The roles of these various elements of the crisis have been addressed from each delegation's viewpoint, so I do not think it is appropriate for me to highlight them here. It may however be noted that all delegations recognize that the

situation is complex and worrisome and therefore they call for a study commensurate with the gravity of the crisis.

In fact, as the Secretary-General said, it is no longer simply a financial question, but also an urgent political question, and I, as President of the Assembly, share that conviction. Any solution envisaged for dealing with this issue should take into account both the technical aspects and the political underpinnings of the crisis. That is why this matter deserves to be studied at the highest political level. The aim we all share in this exercise is to succeed in ensuring a viable financial basis for the Organization.

As the Assembly knows, for two months I have been holding intensive consultations with all delegations, both individually and through the groups to which the various delegations belong, in order to put together the broadest possible consensus on how to deal with this problem. In this connection, I can say with certainty that there is a consensus with respect to setting up an open-ended working group to deal with the financial crisis. As the members of the Assembly will have noted in the course of the debate just ended, there is considerable agreement on many points, but nevertheless significant differences remain. The first phase of our task in addressing this question is strictly procedural. This in no way prejudices the final outcome with respect to the substance of the problem. Hence, I shall continue my consultations with a view to achieving the bases for a consensus that would make it possible for us to consider a draft resolution calling for the establishment of the working group that we all desire.

The financial crisis is a real one, time is short, and we have to get down immediately to seeking a solution in order to guarantee a viable financial foundation for our Organization. For this reason, at this crucial stage I appeal to the sense of responsibility of every member of our Assembly so that the necessary efforts can be made to achieve a compromise solution.

I would like to inform representatives that I will be continuing my consultations on the issue we have been considering, namely, the financial situation of the United Nations, and I will keep them fully informed of the outcome of those consultations.

We have thus concluded this stage of our consideration of agenda item 10.

The meeting rose at 6.25 p.m.